



**State of Tennessee**  
**Health Services and Development Agency**

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**Date: February 11, 2018**

**To: HSDA Members**

**From: Melanie M. Hill, Executive Director**

**Re: CONSENT CALENDAR JUSTIFICATION**

**Open Arms Care Corporation d/b/a Shelby County #3, Cordova (Shelby County), TN – CN1711-034**

**The relocation of an 8 bed ICF/IID home from 5350 Benjestown Road, Memphis (Shelby County), TN to an unaddressed site located on an 8.2 acre parcel located on the southwest corner of the intersection of Dexter Road and Dexter Lane, Cordova (Shelby County), TN 38002. The proposed site is the south half of the parcel described as Parcel 096507 00307C in the records of the Shelby County Tax Assessor. The applicant is owned by Open Arms Care Corporation. The estimated project cost is \$5,130,000.**

As permitted by Statute and further explained by Agency Rule later in this memo, I have placed this application on the Consent Calendar based upon my determination that the application appears to meet the established criteria for granting a Certificate of Need.

Need, Economic Feasibility, Health Care that Meets Appropriate Quality Standards and Contribution to the Orderly Development of Health Care appear to have been demonstrated as detailed below. If Agency Members determine the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the criteria required for approval of a Certificate of Need.

If you find one or more of the criteria have not been met, then a motion to deny is in order.

At the time the application entered the review cycle, it was not opposed. If the application is opposed prior to it being heard, it will be moved to the bottom of the regular agenda and the applicant will make a full presentation.

## **Summary**

Opens Arms Care Corporation d/b/a Shelby County #3, Cordova is an existing 8-bed intellectual disability institutional habilitation facility certified for Medicaid participation as an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID). Since a Certificate of Need is site-specific, Open Arms must receive approval prior to relocating the facility from its present location in Memphis to Cordova (both in Shelby County), a distance of 24.3 miles or about a 33 minute drive. Open Arms has also filed two other applications to be heard this month that propose to relocate existing ICF/IIDs from older facilities to newly constructed facilities in more desirable locations—CN1710-030 and -031. While the other two facilities being heard this month are being built similar to a single family home, this facility will be built duplex style with 4 bedrooms on each side of the duplex.

The facility is currently and will continue to be managed by Integra Resources, LLC.

If approved, the facility will be located on south half of 8.2 acre tract (approximately 4.1 acres).

The estimated project cost is \$5,130,000. The cost is based upon lease payments. Occupancy is projected at 100% with per diem rates set by the Comptroller's Office.

The need for this relocation is three-fold—increasing acuity levels of existing residents and new admissions, the desire for a less commercialized neighborhood, and the need to meet impending changes to the life safety code. A facility constructed almost 30 years ago to provide ICF/IID care does not provide the additional space needed for supportive equipment or the additional staff needed to provide care for this population. The neighborhood which has grown more commercialized over the years is no longer desirable for this type home. The applicant also notes impending changes to the life safety codes which require upgrades to sprinklers, alarms and electrical systems. Rather than to try to retrofit a 30-year old facility that lacks adequate space for the care needs of the residents in a commercialized neighborhood, the applicant finds it more prudent to relocate.

Open Arms operates 41 facilities (both 8- and 4-bed) across Tennessee in Davidson, Greene, Hamilton, Knox, and Shelby Counties. It provides care for one third of the state's most medically fragile ICF/IID population and has done so for almost 30 years (since 1990). As an experienced provider, it meets both state and federal rules and regulations and adheres to the Tennessee Department of Intellectual and Developmental Disabilities (TDIDD or Department) Protection from Harm System which requires reporting all allegations of abuse, neglect, and exploitation.

Please refer to the application, staff summary, and TDIDD report for a detailed narrative.

## **Executive Director Justification -**

**I recommend approval of CN1711-034 for the relocation of an 8 bed ICF/IID home in Shelby County. The facility will relocate from 5350 Benjestown Road in Memphis to the south half of an 8.2 acre parcel on the southwest corner of the intersection of Dexter Road and Dexter Lane in Cordova. My recommendation is based upon my belief the general criteria for a Certificate of Need have been met as follows:**

**Need-** Need is met, as this will transition eight residents from a 30-year old facility in an increasingly commercialized neighborhood to a new facility which will be constructed to meet current life safety codes and designed with floorplans, technologies and materials to meet higher acuity levels. Relocation rather than renovation is the much better option.

**Economic Feasibility-** The project is economically feasible based upon a lease agreement between Open Arms and Facilities Development Group (FDG) who will obtain a loan to construct the facility and lease it to Open Arms. The State of Tennessee through the Medicaid program is the primary payor for ICF/IID service with rates being set by the Comptroller's Office. Revenue payor mix is projected to be 96% TennCare and 4% Supplemental Security Income (SSI).

**Health Care that Meets Appropriate Quality Standards-** As a long-standing provider of ICF/IID services in Tennessee, Open Arms has a proven track record of providing services that meet appropriate quality standards. It is familiar with both state and federal regulations as well the TDIDD Protection from Harm System and is in good standing with all regulatory requirements.

**Contribution to the Orderly Development of Health Care-**Orderly development is met as Open Arms has existing contractual relationships with both TennCare and the Department, and a broad understanding of both the intellectual disability population and the intellectual disability system in Tennessee. This does not duplicate existing services; it simply relocates them to a newly constructed facility that will better meet the needs of residents.

#### **Statutory Citation -TCA 68-11-1608. Review of applications -- Report**

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

#### **Rules of the Health Services and Development Agency-- 0720-10-.04 CONSENT CALENDAR.**

- (1) Each meeting's agenda will be available for both a consent calendar and a regular calendar.
- (2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.
- (3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.

(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the “next regular agenda” means the next regular calendar to be considered at the same meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

**Authority:** T.C.A. §§ 4-5-201, et seq., 4-5-202, 68-11-1605, 68-11-1606, 68-11-1608, and 2016 Tenn. Pub. Acts Ch. 1043. **Administrative History:** Original rule filed August 31, 2005; effective November 14, 2005. Rule was previously numbered 0720-10-.05, but was renumbered 0720-10-.04 with the deletion of the original rule 0720-10-.02 filed October 24, 2017; effective January 22, 2018. Amendments filed October 24, 2017; effective January 22, 2018.

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**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
FEBRUARY 28, 2018  
APPLICATION SUMMARY**

NAME OF PROJECT: Open Arms Care Corporation d/b/a Shelby County #3

PROJECT NUMBER: CN1711-034

ADDRESS: Unaddressed address located on the southwest corner of the intersection of Dexter Road and Dexter Lane Cordova, (Shelby County), Tennessee 38016

LEGAL OWNER: Open Arms Care Corporation  
6 Cadillac Drive, Suite 350  
Brentwood, TN (Williamson County), TN 37027

OPERATING ENTITY: Integra Resources, LLC  
1222 16<sup>th</sup> Avenue South, Suite 300  
Nashville, TN 37212

CONTACT PERSON: Michael D. Brent, Attorney  
(615) 252-2361

DATE FILED: November 15, 2017

PROJECT COST: \$5,130,000

FINANCING: Lease Arrangement

REASON FOR FILING: The relocation of an 8-bed Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID). *The 8 beds are not subject to the 160 bed ICF/IID Bed Pool.*

DESCRIPTION:

Open Arms Corporation is seeking *Consent Calendar* approval to relocate an 8-bed Intermediate Care home for Individuals with Intellectual Disabilities (ICF/IID) 24.3 miles from 5350 Benjestown Road, Memphis (Shelby County), to an unaddressed site on the southwest corner of the intersection of Dexter Road

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and Dexter Lane, Cordova (Shelby County), TN. If approved, Open Arms Corporation will transition 8 individuals currently residing and receiving ICF/IID services to the newly constructed ICF/IID home.

Open Arms Care Corporation is a Georgia non-profit corporation formed in 1986. As a licensed and Medicaid-certified ICF/IID provider, Open Arms has provided care for individuals in Tennessee requiring ICF/IID services since 1990. Currently, it operates 41 eight (8) and four (4) bed resident group homes and 5 day treatment centers in multiple counties across Tennessee.

ICF/IIDs are intended to provide individuals with intellectual disabilities individualized health care and rehabilitation to promote their functional status and independence. All Open Arms residential group homes in Tennessee are managed by Integra Resources, LLC, who will also manage the proposed facility in this project. Integra will be responsible for the provision of nursing care, support services, and therapy services including physical, occupational, speech, and nutritional therapy services.

#### SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

#### **CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS**

- 1. For relocation or replacement of an existing licensed health care institution:**
  - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative**

*Renovation rather than relocation was not deemed a reasonable alternative due to the extensive costs to meet new fire-safety regulations.*

*It appears that this criterion has been met.*

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

*Bed occupancy has been 100% for the past three years. The applicant projects occupancy to remain at 100% in Year 1 (2019) and Year 2 (2020), respectively, following completion of the project.*

*It appears that this criterion has been met.*

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## STAFF SUMMARY

*Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.*

As mentioned earlier, the applicant proposes to relocate an 8 bed Intermediate Care home for Individuals with Intellectual Disabilities (ICF/IID) 24.3 miles from Benjestown Road in Memphis to a 4.1 acre lot located on the south half of an 8.2 acre parcel at an unaddressed site on the southwest corner of the intersection of Dexter Road Dexter Lane in Cordova. Open Arms residential group home ICF/IID beds are designed to provide long term residential supports to individuals with intellectual and developmental disabilities. ICF/IIDs provide comprehensive and individualized health care and rehabilitation services to promote the functional status and independence of individuals with intellectual disabilities.

These individuals have developmental disabilities and complex medical needs, which may include tracheotomy care, tube feeding, oxygen administration, insulin injections, medication administration, and daily medical assessment. The age range of the men and women with developmental disabilities who need ICF/IID services is 18-70. Open Arms employs nursing staff and contracts with physical therapists, occupational therapists, and speech language pathologists to provide medical services. The following chart displays the availability of essential services to residents of the proposed project.

Service	Closest Location	Driving Distance	Driving Time
Nearest Incorporated City	Cordova, TN	Facility is within city limits	Not applicable
Hospital	St. Francis Hospital-Bartlett	3.6	9 minutes
Physician Offices	Locations varies but all are close to St. Francis Bartlett Hospital	Varies	Varies
EMS/Fire Station	Station No. 58, 8395 Old Dexter Road, Cordova, TN	0.2 miles	1 minute
Day Treatment (if applicable)	Open Arms Care 5120 Yale Road Memphis, TN 38134	9.6	21 minutes

Source: CN1711-034

The target date for completion of the project is April 2019.

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### **Ownership**

- Open Arms Care Corporation is a Georgia non-profit corporation formed in December 1986. Open Arms is licensed by DIDD to provide Medical Residential and Supported Living and licensed day treatment center services throughout Tennessee.
- Formerly known as the Rebound Care Corporation prior to calendar year 2000, Open Arms has 41 eight (8) or four (4) bed ICF/IID facilities or licensed residential institutional habilitation facilities (residential group homes) with locations in Shelby, Davidson, Hamilton, Greene, and Knox Counties. Open Arms also operates 5 licensed day treatment centers in Tennessee. Please refer to the organizational chart in Attachment A.4 for a listing of these locations.
- Open Arms will be the licensed operator of the proposed 8-bed ICF/IID residential group home with day-to-day management to be contracted with Integra Resources, LLC, the manager of all existing Open Arms licensed facilities in TN.
- Facility Development Group, Inc. (FDG) will purchase the land and construct the proposed 8-bed ICF/IID residential group home for the project and Open Arms will lease the facility and land from FDG for a 30 year term.
- Documentation of the applicant's legal interest in the site is provided in the November 15, 2017 Option to Lease agreement between FDG, Inc. and Open Arms Care Corporation.
- A visual/chart showing the key phases of the development arrangement between the parties is provided in the draft to Lease Agreement between FDG and Open Arms Care Corporation.

### **Facility Information**

- The facility will be a newly constructed 4,400 square foot duplex configuration on a 4.1 acre lot, with each half (2,800 SF) consisting of a one-story, fully accessible family home.
- The home will consist of a living/sitting area, therapy area, kitchen, laundry room, four semi-private bed rooms, 2 1/2 bathrooms, office, medication room, screened porch, covered walkway, and garage.
- A backup generator will be available on-site to ensure essential resident services are not interrupted by unexpected power outages.
- An October 9, 2017 letter from Dave Johnson, AIA, Principal, STG Design, attests to the estimated construction cost of the proposed 8 bed home and conformance with all applicable building and safety codes, including

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design of the facility in accordance with current AIA Guidelines for Design and Construction of Health Care Facilities.

### **Project Need**

The applicant provided the following justification for the project:

- The current home is a traditional wood frame residential home that was constructed almost 30 years ago and no longer is sufficient for the needs of residents and staff.
- Impending changes to the fire safety code will require substantial expenditures to retrofit the current facility with sprinkler, electrical and alarm upgrades.
- The current facility is located in a neighborhood that has become more commercialized and has experienced a substantial shift in character since the facility originally opened.

### **Service Area Demographics**

The applicant's declared service area is Shelby County. An overview of the service area is provided as follows:

- The total population of Shelby County is estimated at 964,804 residents in calendar year (CY) 2017 increasing by approximately 2.2% to 986,423 residents in CY 2021.
- The overall statewide population is projected to grow by 4.2% from 2017 to 2021.
- The Shelby County intellectual and developmental disabilities target population based on the ICF/IID formula of .32% of the adult population is expected to increase approximately 2.3% from CY2017 to CY2021 compared to 4.2% statewide.
- Based on September 2017 TennCare enrollee statistics, TennCare enrollees as a percentage of the total county population is 25.6%, compared with the state-wide average of 20.7%.

### **Historical Utilization**

There are currently 8 ICF/IID resident homes in Shelby County containing 8 beds per facility. The 8 resident homes are owned and operated by Open Arms Care. Historical utilization for these facilities is presented in the following table:

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**Shelby County ICF/IID Home Utilization-2014-2016**

<b>Name</b>	<b>Licensed Beds</b>	<b>2014 % Occupancy</b>	<b>2015 % Occupancy</b>	<b>2016 % Occupancy</b>
<b>Total</b>	<b>64 (8-8 bed homes)</b>	<b>99.5%</b>	<b>99.4%</b>	<b>99.5%</b>

Source: CN1711-034, Page 20

The historical utilization table reflects the following:

- Shelby County ICF/IID homes have remained essentially at full occupancy for the years 2014 through 2016.

### **Projected Utilization**

The following table displays the projected utilization of the proposed project.

**Applicant's Facility Projected Utilization**

<b>Year</b>	<b>Licensed Beds</b>	<b>% Licensed Occupancy</b>
<b>Year 1</b>	<b>8</b>	<b>99.7%</b>
<b>Year 2</b>	<b>8</b>	<b>99.2%</b>

Source: CN1711-034, Page R-24

- The applicant expects to operate at almost full occupancy each of the first two years of operation.

### **Project Cost**

The total project cost is \$5,130,000. Major costs are:

- Facility Lease - \$5,050,000 or 98.4% of total cost.
- Contingency Fund-\$35,671 or 0.69% of total cost
- For other details on Project Cost, see the Project Cost Chart on page 26 in the application.

### **Funding**

An October 10, 2017 letter provided in Supplemental 1 from Bill Berrell, Senior Vice President and Director of Healthcare Funding, ServisFirst Bank, confirmed the availability of a \$12,000,000 commercial loan for the construction and permanent financing of 8 new Open Arms ICF/IID facilities in Shelby County.

- The terms of the loan include a 7 year maturity date with interest anticipated at approximately 5.0%-5.50%, subject to market conditions and the loan to value ratio.
- Although the applicant will be leasing the proposed ICF/IID 8-bed facility, the total estimated acquisition, development, and construction cost amounts to approximately \$1,580,000 as shown on page 27 of the original application.

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- The applicant has the means to meet annual lease payments estimated at \$244,444 in Year 1 of the project. Review of Open Arms audited financial statements for the fiscal year ending 12/31/2016 revealed Cash and Cash Equivalents of \$3,398,645, Current Assets of \$7,830,577 and Current Liabilities of \$5,593,200 for a current ratio of 1.40 to 1.0.

*Note to Agency members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.*

- The applicant projects a net operating margin ratio for the total facility of 1.9% in Year 1 and 7.0% in Year 2.

*Note to Agency Members: The net operating margin demonstrates how much revenue is left over after all the variable or operating costs have been paid.*

- Open Arm's capitalization ratio is 146.9%.

*Note to Agency Members: The capitalization ratio measures the proportion of debt financing in a business's permanent financing mix.*

#### **Historical Data Chart**

- According to the Historical Data Chart, Open Arms Care Corporation's current 8 licensed bed home located at 5350 Benjestown Road, Memphis (Shelby County), TN realized a negative Free Cash Flow (Net Balance + Depreciation) balance of (\$48,939) in Year 2014, (\$165,871) in 2015, and (\$164,484) in 2016.

#### **Projected Data Chart**

- The applicant projects \$1,788,661 in total gross revenue on 2,910 patient days in Year 1 decreasing by 0.77% to \$1,774,764 on 2,898 patient days in Year 2 (approximately \$612.40 per day).
- Free Cash Flow (Net Balance + Depreciation) equals zero in Year One and in Year Two.

*Note to Agency members: On page R-28 in the original application, the applicant explained how a positive cash flow was projected in Year 2 of the proposed project after a negative cash flow was reported each of the three*

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*previous years. The applicant indicated that there was a switch from mortgage payments to lease payments and there was a lag where the results from the change did not appear until 2016.*

### **Charges**

In Year 1 of the proposed project (2019), the average gross daily patient charge is projected to be \$614.66. Since there are no deductions from revenue reported, the net charge is the same.

### **Medicare/TennCare Payor Mix**

The applicant expects the proposed project to be funded 96% by TennCare/Medicaid and 4% Client Responsibility.

### **Staffing**

A breakout of the staffing in Year 1 includes the following:

- 0.25 FTE Registered Nurse
- 1.98 FTE LPNs
- 0.13 FTE Qualified ID Professional
- 12.50 FTE Direct Support Workers
- 14.86 Total FTE Direct Care Positions
- 2.0 FTE Total FTE Non-Direct Care Positions
- 0.39 FTE Total Contractual Staff
- **17.25 FTE TOTAL**

*Note: Generally speaking, one (1) FTE is equivalent to an individual that works 2,080 regular hours per year.*

## **PROVIDE HEALTHCARE THAT MEETS APPROPRIATE QUALITY STANDARDS**

### **Licensure**

- If approved, the proposed new facility will be licensed by the Department of Intellectual and Developmental Disabilities (DIDD). A copy of the 09/15/2017 annual survey inspection conducted by DIDD for Open Arms Care Corporation, 5350 Benjestown, Memphis (Shelby County), TN is included in the application.
- A letter dated October 25, 2017 from DIDD in Supplemental #2 indicates all eight Open Arms Care Corporation ICF/IID care homes in Shelby County are in full compliance with all applicable licensure rules.
- If approved, the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures.

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## **CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE**

### **Agreements**

- The applicant noted in the application there are no transfer agreements or contractual agreements for health services.

### **Impact on Existing Providers**

- Since this project is a relocation of existing services, the proposed project will not negatively impact other providers in the service area.

*Corporate documentation and site control documents are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in **two** years.

## **CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT**

There are no other Letters of Intent or denied applications for this applicant.

### **Pending Applications**

**Open Arms Care Corporation d/b/a Shelby County #4, CN1801-004**, has a pending application that will be heard on Consent Calendar at the April 25, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 5380 Benjestown Road, Memphis (Shelby County), TN to a lot consisting of two parcels, a portion of which currently has an address of 8949 Macon Road, Cordova (Shelby County), TN 38127. **The estimated project cost is \$5,130,000.**

**Open Arms Care, CN1710-030**, has a pending application that will be heard on Consent Calendar at the February 28, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 1457 Greendale Avenue, Memphis (Shelby County), TN to an unaddressed site located on the southwest corner of the intersection of Old Brownsville Road and Oak Road, Bartlett (Shelby County), TN 38002. The proposed site is the *west half* of the parcel described as Parcel B014800061 in the records of the Shelby County Tax Assessor. **The estimated project cost is \$3,370,000.**

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**Open Arms Care, CN1710-031**, has a pending application that will be heard on Consent Calendar at the February 28, 2018 Agency meeting for the relocation of an 8 licensed bed ICF/IID home from 1445 Greendale Avenue, Memphis (Shelby County), TN to an unaddressed site located on the southwest corner of the intersection of Old Brownsville Road and Oak Road, Bartlett (Shelby County), TN 38002. The proposed site is the *east half* of the parcel described as Parcel B014800061 in the records of the Shelby County Tax Assessor. **The estimated project cost is \$3,370,000.**

*Note to Agency members: The estimated project cost of \$5,130,000 for Open Arms Care Corporation d/b/a Shelby County #4, CN1801-004 is at a higher project cost than Open Arms Care, CN1710-031 and Open Arms Care, CN1710-030 with an estimated project cost of \$3,370,000. The home with a \$5,130,000 project cost will be constructed in a duplex configuration with each half consisting of 2,800 for a total of 5,600 SF resulting in annual lease cost of \$168,333 for 30 years (\$5,050,000). The homes with a \$3,370,000 project cost will be newly constructed 4,400 SF homes in a non-duplex configuration with an annual lease cost of \$110,000 for 30 years (\$3,300,000). Per Agency Rules, the cost of any lease listed in the Project Cost Chart is based on the fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.*

#### Outstanding Certificate of Need

**Open Arms Care Corporation dba Greeneville # 1 Chuckey Pike, CN1511-050A**, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the east side of a 2.72 acre lot on Chuckey Pike, Greeneville (Greene County, TN). **The estimated project cost is \$1,370,000. Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.**

**Open Arms Care Corporation dba Hamilton County #2 Gamble Road (Southwest), CN1511-051A**, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home located on an unaddressed 1.5 acre site on the southwest quadrant of a 15.5 acre parcel being addressed as 7817 Gamble Road, Georgetown (Hamilton County), TN 37336. **The**

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estimated project cost is \$1,370,000. *Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.*

**Open Arms Care Corporation dba Greeneville #3 East Church Street-East, CN1511-052A**, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the east half of a 2.74 acre lot on East Church Street, Greeneville (Greene County), TN. **The estimated project cost is \$1,370,000. *Project Status Update: A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.***

**Open Arms Care Corporation dba Hamilton County #1 Gamble Road (Southeast), CN1511-053A**, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the southeast quadrant of a 15.5 acre lot on 7817 Gamble Road, Georgetown (Hamilton County), TN 37336. **The estimated project cost is \$1,370,000. *Project Status Update: A project status update received October 30, 2017 indicated the project is completed and licensed. A final project report will be submitted after the final certifications are completed and verified.***

**Open Arms Care Corporation dba Greeneville #2 East Church Street-West, CN1511-054A**, has an outstanding Certificate of Need that will expire on April 1, 2018. The application was approved at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the west half of a 2.74 acre lot on East Church Street, Greeneville (Greene County), TN. **The estimated project cost is \$1,370,000. *Project Status Update: A project status update received October 30, 2017 indicated the project is completed and licensed. A final project report will be submitted after the final certifications are completed and verified.***

**Open Arms Care Corporation d/b/a Knox County #1 Bishops Bridge (Northeast), CN1512-062A**, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed ICF/IID home on an unaddressed lot approximately 0.25 acres, in the northeast quadrant on a 7.2 acre parcel currently being addressed as 1817 Bishop Bridge Road, Knoxville (Knox County), TN. **The estimated cost is \$1,370,000. *Project Status Update: A***

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*project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.*

**Open Arms Care Corporation d/b/a Knox County #2 Bishops Bridge (Northwest), CN1512-063A**, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed ICF/IID home on an unaddressed lot approximately 0.25 acres, in the northwest quadrant of a 7.2 acre parcel currently being addressed as 1817 Bishop Bridge Road, Knoxville (Knox County), TN. **The estimated cost is \$1,370,000. Project Status Update:** *A project status update received October 30, 2017 indicated the project is completed and licensed. A final project report will be submitted after the final certifications are completed and verified.*

**Open Arms Care Corporation dba Knox County #4 South Northshore Drive (Northwest), CN1512-064A**, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on a 0.95 acre lot on the northwest half of a 1.91 acre parcel currently addressed as 12629 South Northshore Drive in Knoxville (Knox County), Tennessee 37922. **The estimated project cost is \$1,370,000. Project Status Update:** *A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.*

**Open Arms Care Corporation dba Knox County #4 South Northshore Drive (Northwest), CN1512-065A**, has an outstanding Certificate of Need that will expire on May 1, 2018. The application was approved at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on a 0.95 acre lot on the southeast half of a 1.91 acre parcel currently addressed as 12629 South Northshore Drive in Knoxville (Knox County), Tennessee 37922. **The estimated project cost is \$1,370,000. Project Status Update:** *A project status update received October 30, 2017 indicated the project is complete and licensed. A final project report will be submitted after the final certifications are completed and verified.*

**Open Arms Care Corporation d/b/a Shelby County #3**

**CN1711-034**

**February 28, 2018**

**CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL DISABILITIES FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PME

01/24/2018

**Open Arms Care Corporation d/b/a Shelby County #3**

**CN1711-034**

**February 28, 2018**

## **LETTER OF INTENT**



**State of Tennessee**  
**Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor  
 502 Deaderick Street  
 Nashville, TN 37243

[www.tn.gov/hstda](http://www.tn.gov/hstda)

Phone: 615-741-2364

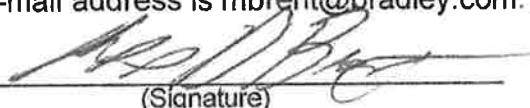
Fax: 615-741-9884

## LETTER OF INTENT

The Publication of Intent is to be published in The Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before November 10, 2017, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the replacement and relocation of an eight-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), managed by Integra Resources, LLC, a Tennessee limited liability company. The facility is currently located at 5350 Benjestown Road, Memphis (Shelby County), Tennessee 38127, and will be relocated to a lot of approximately 4.1 acres, which does not currently have a separate street address, such lot being the south half of the approximately 8.2 acre parcel located on the southwest corner of the intersection of Dexter Road and Dexter Lane, in Shelby County, Tennessee, and also described as Parcel 096507 00307C in the records of the Shelby County Tax Assessor. Access to the south half described above is anticipated to be from Old Dexter Road. The estimated project cost is \$5,130,000.00.

The anticipated filing date of the application is on or before November 15, 2017. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is [mbrent@bradley.com](mailto:mbrent@bradley.com).

  
 (Signature)

Nov. 9, 2017  
 (Date)

[mbrent@bradley.com](mailto:mbrent@bradley.com)  
 (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency**  
**Andrew Jackson Building, 9<sup>th</sup> Floor**  
**502 Deaderick Street**  
**Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# Application (Copy)

Opens Arms Care  
Corporation SW (Dexter  
Rd)

CN1711-034



Partner  
mbrent@bradley.com  
615.252.2361 direct

[illegible]

# Bradley

Ms. Melanie M. Hill  
Tennessee Health Services & Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, Tennessee 37243

Enclosed you will find an original, plus two copies, of a CON Application by Open Arms Care Corporation, for the replacement and relocation of an eight-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"). The current facility is located at 5350 Benjestown Road, Memphis (Shelby County), Tennessee 38127, and will be relocated to a lot of approximately 4.1 acres near the intersection of Dexter Road and Dexter Lane, in Shelby County, Tennessee. As we have previously discussed with your staff, given the nature of this application, and the fact this is a replacement of a facility that has been in operation nearly three decades by this applicant, we request that you give consideration to placing this application on the "Consent Calendar."

Very truly yours,

*[Signature]*

MDB/cae

Bradley Arant Boult Cummings LLP | Roundabout Plaza | 1600 Division Street, Suite 700 | Nashville, TN 37203-2754 | 615.244.2582 | [bradley.com](http://bradley.com)



# State of Tennessee

## Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243  
 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

### CERTIFICATE OF NEED APPLICATION

#### SECTION A: APPLICANT PROFILE

##### 1. Name of Facility, Agency, or Institution

Open Arms Care Corporation d/b/a Shelby County #3  
 Name

Old Dexter Road  
 Street or Route

Shelby

County

Cordova  
 City

Tennessee  
 State

38016

Zip Code

Website address: http://www.openarmscare.org

Note: The Facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

##### 2. Contact Person Available for Responses to Questions

Michael D. Brent  
 Name

Attorney  
 Title

Bradley Arant Boult Cummings LLP  
 Company Name

mbrent@bradley.com  
 Email address

1600 Division Street, Suite 700  
 Street or Route

Nashville  
 City

TN  
 State

37203  
 Zip Code

Attorney for Project  
 Association with Owner

615-252-2361  
 Phone Number

615-252-6361  
 Fax Number

**NOTE:** **Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on **8 1/2" X 11" white paper, clearly typed and spaced, single or double sided, in order and sequentially numbered. In answering, please type the question and the response.** All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.**

### 3. SECTION A: EXECUTIVE SUMMARY

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#### A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description - Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant:

**Response:** Founded to address the needs of those moving out of large, state-run institutions, Open Arms Care Corporation, a Georgia nonprofit corporation ("Open Arms"), has 32 eight-resident homes, or Intermediate Care Facilities for Individuals with Intellectual Disabilities ("ICF/IID"), located in or near Chattanooga, Knoxville, Memphis, and Nashville, Tennessee and 9 four-resident ICF/IID homes in or near Chattanooga, Knoxville and Greeneville, Tennessee. Please see Attachment A.4 for a list of facilities operated by Open Arms in Tennessee. Through provider agreements with TennCare, Open Arms has been providing community-based facilities for individuals with intellectual and developmental disabilities for almost 30 years. This project proposes the relocation of the eight individuals in the Applicant's 8-bed ICF/IID facility located at 5350 Benjestown Road, Memphis (Shelby County), Tennessee 38127 to a newly constructed 8-bed ICF/IID facility in Shelby County, Tennessee. The Applicant leases the current facility from WCO AL DP, LLC ("WCO"), a non-profit housing organization that provides affordable and special needs housing. Please note that the Applicant does not know and has no input as to what WCO will do with the home in which the current facility is located if this application is approved. The Applicant proposes relocating the aforementioned 8 clients to a lot of approximately 4.1 acres, which does not currently have a separate street address, located on the southwest corner of the intersection of Dexter Road and Dexter Lane, Cordova (Shelby County), Tennessee 38016, (being the south half of the parcel described as Parcel 096507 00307C in the records of the Shelby County Tax Assessor). The proposed location is approximately 24.3 miles, or 33 minutes, from the current location of the ICF/IID facility. As a replacement facility, this project will not affect the number of ICF/IID beds in Shelby County. The Applicant currently has no outstanding but unimplemented certificates of need.

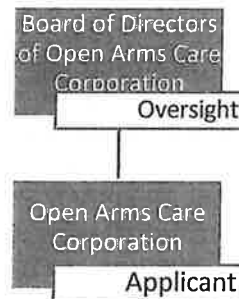
The facility will be built in a "duplex" configuration, with each half consisting of a one-story, fully accessible family homes of approximately 2,800 square feet, each with four bedrooms, combination living/dining room, kitchen, laundry, office, and associated storage areas. Each half will each have two large, fully accessible bathrooms, one half bath, and a residential sprinkler system. An 8-bed ICF/IID duplex style configuration provides the same services as two separate 4-bed ICF/IID homes, and is intended for the more medically fragile residents served by the Applicant.

Depending on the resident and his or her medical needs, residents will receive assistance meeting hygiene requirements, specialized dietary services, physical therapy, and assistance with activities of daily living, as well as physical, occupational, and behavioral therapies. A resident's acuity level determines whether or not required physical therapy or occupational therapy takes place in the facility or in a different location. The overall goal is to provide the combination of an environment and services that will enrich their quality of life and sense of community. A typical day for a resident of an ICF/IID home begins with personal hygiene activities and breakfast, followed by programming such as habilitation and active treatment (physical therapy, vocational therapy, socialization, etc.), sometimes at a day center if prescribed in the resident's ISP. The habilitation care model for most Open Arms Care Corporation ("Open Arms") clients is to leave the residential facility on weekdays to attend habilitation and therapeutic programming according to an individual plan of care. This gives clients a more normalized routine akin to school or work attendance. The Applicant's day treatment facilities have special program enrichment spaces for therapies, which include but are not limited to, physical, occupational, recreational, social, family, artistic, hydro and Snoezelen (where clients are placed in a soothing and sense-stimulating environment) therapies that are not available in the group homes. Clients are generally at the day program for five to six hours each day.

The Applicant will be providing care to several medically fragile residents, who tend to require more hours from registered and licensed practical nurses. The Applicant will equip the proposed facility with wheelchairs required to facilitate some clients' mobility in addition to items such as positioning boards. The Applicant, however, notes that a client's changing condition or a new admission could require the Applicant to have equipment similar to that found in skilled nursing facilities such as hospital beds, wheelchairs, respirators, incubators and tube feeding equipment.

## 2) Ownership structure

**Response:** As shown in the chart below, Open Arms is a Georgia nonprofit corporation with no ownership shares or membership interests and is board-managed. Open Arms is owned by neither another entity nor by individuals. Instead, Open Arms has a board of directors, which consists of six individuals, who oversee the entity's affairs. Note that, unlike some multi-facility providers, each facility operated by Open Arms is operated directly by Open Arms, without the use of subsidiary entities. Please see the chart below illustrating solely the operation of Open Arms. Though Open Arms is a Georgia nonprofit corporation, the board of Open Arms is considering converting to a Tennessee nonprofit corporation. If the ultimate decision is to make such a conversion, a new Tennessee nonprofit corporation would be created and the existing Georgia nonprofit corporation would be merged into it, with the result being that Open Arms would be a Tennessee corporation. The laws of some states allow a simpler



process whereby a non-nonprofit corporation can change its domicile from one state to another, but that is not currently allowed for transitions from a Georgia to a Tennessee corporation.

## 3) Service area

**Response:** The service area is Shelby County, Tennessee

## 4) Existing similar service providers

**Response:** Open Arms is one of only a few ICF/IID providers in Tennessee, and the only such provider currently serving Shelby County.

## 5) Project cost

**Response:** As shown on the Project Cost Chart, the total cost is \$5,130,000, due to the requirements that the cost be based on the total lease costs over a 30 year period. However, the actual cost of the land, site improvements, and construction is less than half of that amount.

## 6) Funding

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**Response:** As shown on the attached funding letter, Servis1St Bank will be the lender for the project, and has a long relationship as a lender for Open Arms projects.

7) Financial Feasibility including when the proposal will realize a positive financial margin

**Response:** As shown on the financial projections, as a relocation of exiting services, with existing residents, the project is anticipated to have positive financial results upon opening.

8) Staffing

**Response:** The Applicant currently employs a full staff at the facility to be relocated, as well as 7 other similar facilities in Shelby County. It is anticipated that all such staff members will transfer from the current facility to the replacement facility.

**B. Rationale for Approval**

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need

**Response:** The intent of this application is to relocate 8 individuals who currently reside in an Open Arms facility in Shelby County (the "Residents") to a new facility that the Applicant will construct if this Application is approved. The Residents' current home is a traditional wood frame residential home that was constructed almost 30 years ago and is no longer sufficient for the needs of Residents and staff. Having been in use for almost 30 years, it has become evident that staffing and Residents' equipment needs over this period have far exceeded the expected use for such structures, which are reminiscent of conventional family use houses. While the Applicant has maintained good conditions for compliance and safety, the structure experiences wear and tear commensurate with such lengthy use which results in ever increasing repair and maintenance costs as the structure continues to age.

The proposed construction of a new facility is also in response to Residents' increased acuity. The Applicant must meet the increased needs of aging long term Residents as well as new admissions with higher levels of acuity in a facility that was not built with such individuals in mind. The Applicant wants to construct homes with floorplans, materials and technologies with the higher level of care required by these Residents in mind, as the Applicant did with clients admitted in connection with closure of Green Valley Development Center. The Applicant's current facility is also located in a neighborhood that has experienced a substantial shift in character since the facility opened. Residents will therefore also benefit from a more suitable, less commercial neighborhood. Finally, impending changes to the fire safety code will require substantial expenditures to retrofit the current facility with sprinkler, electrical and alarm upgrades, and, given the age and undesirable location of the current facility, the Applicant finds it more prudent to begin to transition residents to a new facility constructed pursuant to the new requirements and modern technology instead of spending substantial sums on the current facility. As with most of the Applicant's facilities in similar circumstances, the proposed relocation and construction of a new facility is part of the Applicant's long term plan to do the same with its other aging ICF/IID facilities.

**2) Economic Feasibility**

**Response:** The facility's estimated cost of construction is shown on the attached exhibits. Please see Section C, Economic Feasibility, for additional information about costs for land, site preparation, and other costs. The project financing will include a commercial loan to the Landlord (please see Attachment B – Economic Feasibility – B) that will be sufficient to purchase the land and construct the new facility.

Because of the Applicant's extensive experience serving individuals with intellectual and developmental disabilities and its solid working relationship with DIDD, the Applicant believes that, in addition to being economically feasible, this project will build upon lessons learned building other ICF/IID homes in recent years, enabling it to continue to better residents' quality of life.

**3) Appropriate Quality Standards**

**Response:** With almost 30 years of experience providing community-based facilities for individuals with intellectual and developmental disabilities, the Applicant is well-versed in what is required to ensure quality services are provided to residences and that its facilities successfully undergo agency surveys with few to no violations. Further, the Applicant current and shall continue to meet all standards imposed on it by licensing and regulatory boards to which it is subject.

**4) Orderly Development to adequate and effective health care**

**Response:** The proposed relocation will not result in an unnecessary increase in use of healthcare services as the number of individuals currently served in Shelby County (provided the Applicant remains the sole ICF/IID facility provider) will not change as a result the approval of this Application, as current recipients will just be moved to a new location. Further, approving this Application ensures that residents are receiving care provided in modern setting, in a home constructed with what are likely much more robust disability accessibility requirements, reflecting a deeper understanding of the challenges faced by the disabled and the ways in which homes can be modified in response. The more modern floorplan of the new facility will also assist in meeting the healthcare needs of the residents.

**C. Consent Calendar Justification**

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

**Response:** A letter addressed to the Agency's Executive Director containing the Applicant's request to be added to the Consent Calendar and the justification for an expedited review is attached hereto as Attachment A-3C. To summarize, this Application does not seek to add any ICF/IID beds; rather, it proposes relocating existing ICF/IID beds following construction of a new ICF/IID facility to benefit residents and the community.

4. **SECTION A: PROJECT DETAILS**

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**A. Owner of the Facility, Agency or Institution**

<u>Open Arms Care Corporation</u>		<u>(615) 254-4006</u>
Name		Phone Number
<u>6 Cadillac Drive, Suite 350</u>		<u>Williamson</u>
Street or Route		County
<u>Brentwood</u>	<u>Tennessee</u>	<u>37027</u>
City	State	Zip Code

**B. Type of Ownership of Control (Check One)**

- |                                 |          |                               |       |
|---------------------------------|----------|-------------------------------|-------|
| A. Sole Proprietorship          | _____    | F. Government (State of TN or | _____ |
| B. Partnership                  | _____    | Political Subdivision)        | _____ |
| C. Limited Partnership          | _____    | G. Joint Venture              | _____ |
| D. Corporation (For Profit)     | _____    | H. Limited Liability Company  | _____ |
| E. Corporation (Not-for-Profit) | <u>X</u> | I. Other (Specify)            | _____ |

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbeartn.gov/ECommerce/FilincSearch.aspx>. **Attachment Section A-4A.**

**Describe** the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

**Response:** Founded to address the needs of those moving out of large, state-run institutions, Open Arms Care Corporation, a Georgia nonprofit corporation ("Open Arms" or the "Applicant"), has 32 eight-resident homes or, Intermediate Care Facilities for Individuals with Intellectual Disabilities ("ICF/IID"), located in or near Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. Please see **Attachment A.4** for a list of facilities operated by Open Arms in Tennessee. In addition, Open Arms has recently opened 9 four-resident homes in Greene, Knox and Hamilton Counties (pursuant to CONs approved by the HSDA in 2016), to help satisfy the need for such facilities as a result of the closure of Green Valley Development Center in East Tennessee. Open Arms has no owners or members and is governed by a six-person board of directors consisting of Robert Taylor (Chair), Jane Buffaloe, Mary Ellis Richardson, Sandy Wybel, John Crawford and Cherrie Clark.

In 1988, founding board members of Open Arms identified the need to build community facilities for individuals who were moving out of large, state-run institutions for individuals with intellectual and developmental disabilities in the state of Tennessee. Certificate of Need applications were submitted and approved and Open Arms Care (then known as Rebound Care Corporation) began offering services once it was approved for 256 beds across the state

of Tennessee. (Source: <http://openarmscare.org/our-history>.) Through provider agreements with TennCare, Open Arms has been providing community-based facilities for individuals with intellectual and developmental disabilities for almost 30 years. Open Arms has no ownership shares or membership interests and is board-managed. Please also see Attachment A-4A.

**5. Name of Management/Operating Entity (If Applicable)**

Integra Resources, LLC  
 Name  
 1222 16th Avenue South, Suite 300 Davidson  
 Street or Route County  
 Nashville Tennessee 37212  
 City State Zip Code  
 Website address: Not Applicable.

***For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. Attachment Section A-5.***

**Response:** Please see Attachment A-5. Please note that the management agreement is specific to the lease agreement such that a new management agreement will be executed if the application is approved, though the only differences between the current management agreement and the proposed management agreement will be the term length and monthly fee.



**6. A. Type of Ownership of Control (Check One)**

- |                         |       |                    |                |
|-------------------------|-------|--------------------|----------------|
| A. Ownership            | _____ | D. Option to Lease | _____ <u>X</u> |
| B. Option to Purchase   | _____ | E. Other (Specify) | _____          |
| C. Lease of _____ Years | _____ |                    |                |

**Check appropriate line above:** For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

**Response:** The Applicant has an option to lease the building and the land upon which the building will be located from Facilities Development Group, LLC ("FDG"). FDG has no relationship with Open Arms, other than contractual relationships. Those include the Development Agreement between FDG, as developer, and WCO, which purchased the Green Valley Facilities from FDG and leased them to Open Arms. Please note that WCO and Open Arms have no relationship beyond a contractual relationship in which Open Arms Care Corporation operates all of its current facilities pursuant to leases from WCO of the associated buildings and land. WCO is not involved at all in the proposed project. The proposed project will create a contractual relationship between FDG and the Applicant for the facility which is the subject of this application, and seven similar facilities in Shelby County, Tennessee which the Applicant also plans to replace. After FDG has acquired and financed the land pursuant to the contract attached as Attachment A-6A and then arranged the construction and financing of the proposed facility via a construction loan from Servis 1<sup>st</sup> Bank, Open Arms will then have an option to lease the completed, fully furnished facility from FDG pursuant to pursuant to the lease agreement referenced in the Option to Lease. Please see Attachment A-6A for copies of the deed of the current owner, the purchase agreement between the current owner and FDG, the Option to Lease, and an illustration of the transactions between the parties.

**6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

1) Plot Plan **must include:**

- a. Size of site (in acres);
- b. Location of structure on the site;
- c. Location of the proposed construction/renovation; and
- d. Names of streets, roads or highway that cross or border the site.

**Response:** Please see Attachment A-6B-1 for a plot plan. The proposed location is close to the road and observes all setback requirements. The site is approximately 4.1 acres and is presently zoned "CA" or Conservation Agriculture, which allows conventional single family homes and supportive living facilities. Please note that TCA §13-24-102 provides

that, for the purposes of all zoning laws in Tennessee, a “single-family residence” includes any home in which eight or fewer unrelated persons with disabilities reside. Therefore, the facility complies with the zoning of the proposed location.

The proposed location meets the distance requirement prohibiting more than two ICF/IID facilities from being within 500 yards of other ICF/IID facilities, as the nearest licensed ICF/IID is 13.3 miles away as illustrated in the table below.

#### Distance Between Proposed Location and Other Shelby County ICF/IID’s

Facility Name	ICF/IID Facility Address	Miles
Allendale Drive Home 1 - Memphis	4695 Allendale Drive, Memphis, TN 38128	12.1
Allendale Drive Home 2 - Memphis	4707 Allendale Drive, Memphis, TN 38128	12.1
Benjestown Home 1 - Memphis	5350 Benjestown Road, Memphis, TN 38127	24.3
Benjestown Home 2 - Memphis	5380 Benjestown Road, Memphis, TN 38127	24.3
Greendale Home 1 - Memphis	1445 Greendale Avenue, Memphis, TN 38127	18.9
Greendale Home 2 - Memphis	1457 Greendale Avenue, Memphis, TN 38127	18.9
Raleigh Millington Home 1 - Memphis	4240 Raleigh Millington Road, Memphis, TN 38128	13.3
Raleigh Millington Home 2 - Memphis	4254 Raleigh Millington Road, Memphis, TN 38128	13.3

- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.

**Response:** Please see Attachment A-6B-2 for a floor plan identifying the kitchen, living/sitting room (which will also serve as a dining space), pantry and emergency generator. There will be no outdoor storage, as there will be storage space in the garage.

Based on its understanding of the reimbursement rates of 4-bed and 8-bed homes and TennCare’s concern about containing ICF/IID cost, the Applicant decided that a dual structure 8-bed is more appropriate than 4-bed homes for the proposed replacement project. As noted above, 8-bed homes are more cost-effective than 4-bed homes. Additionally, as a TennCare provider with established costs, the Applicant wanted to maintain the current economics of the Medicaid system as much as possible. The Applicant’s proposal that the 8-bed facility consist of two 4-bed structures with identical floor plans is due to the aging and acuity of residents driving needs for private bedrooms.

- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**Response:** The facility generally will not be open to the public. Access for individuals housed at the site will be supervised by the facility's staff. Families of these individuals will have access to the facility from U.S. Interstate 40 ("I-40"), which is approximately a 6 minute drive from the facility. From I-40, visitors take Exit 16 onto North Germantown Parkway, heading south for 1.4 miles. Visitors then turn left onto Dexter Road and right onto Dexter Lane after .7 miles. Finally, visitors will take the first right onto Old Dexter Road to reach the proposed location of the facility.

**Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.**

7. **Type of Institution** (Check as appropriate--more than one response may apply)

- |  |  |
|--|--|
| A. Hospital (Specify) _____  | H. Nursing Home _____  |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty _____  | I. Outpatient Diagnostic Center _____  |
| C. ASTC, Single Specialty _____  | J. Rehabilitation Facility _____   |
| D. Home Health Agency _____  | K. Residential Hospice _____   |
| E. Hospice _____   | L. Nonresidential Substitution-Based Treatment Center for Opiate Addiction _____ |
| F. Mental Health Hospital _____  | M. Other (Specify) _____   |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID <b>Check appropriate lines(s).</b> <u>X</u> |  |

8. **Purpose of Review** (Check appropriate lines(s) - more than one response may apply)

- |   |   |
|---|---|
| A. New Institution _____  | F. Change in Bed Complement _____<br><i>[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]</i> |
| B. Modifying an ASTC with limitation still required per CON _____                         |   |
| C. Addition of MRI Unit _____   |   |
| D. Pediatric MRI _____  |   |
| E. Initiation of Health Care Service as defined in T.C.A. § 68-11-1607(4) (Specify) _____ | G. Satellite Emergency Dept. _____  |
|   | H. Change of Location <u>X</u>  |
|   | I. Other (Specify) _____  |

9. **Medicaid/TennCare, Medicare Participation**

MCO Contracts [check all that apply]

\_\_\_ AmeriGroup \_\_\_ United Healthcare Community Plan \_\_\_ BlueCare \_\_\_ TennCare Select

Medicare Provider Number N/A

Medicare Provider Number 744-7037

Certification Type ICF/MR

**If a new facility, will certification be sought for Medicare and/or Medicaid/Tenn/Care?**

Medicare \_\_\_ Yes \_\_\_ No X N/A      Medicaid/TennCare \_\_\_ Yes \_\_\_ No X N/A

**Response:** There are no provider agreements in ICF/IID programs between providers and TennCare MCO's, as the ICF/IID program is a "carve-out" from the managed care program. ICF/IID providers therefore receive no reimbursement from TennCare MCO's; instead, providers contract directly with TennCare, which reimburses them directly. Individual residents, however, do receive medical coverage for other services through TennCare MCO's due to contractual relationships between each resident and their respective TennCare MCO. Examples of such services include hospital emergency room visits, diagnostic imaging services, and other services not provided by the Applicant. Amerigroup, TennCare Select, BlueCare and UnitedHealthcare Community Plan are the only TennCare MCO's in Shelby County.

10. Bed Complement Data

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**A. Please indicate current and proposed distribution and certification of facility beds.**

	Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	<u>TOTAL</u> <u>Beds at</u> <u>Completion</u>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home - SNF (Medicare only)						
16) Nursing Home - NF (Medicaid only)						
17) Nursing Home - SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home - Licensed (non-certified)						
19) ICF/IID	8					8
20) Residential Hospice						
<b>TOTAL</b>	<b>8</b>					<b>8</b>

\*Beds approved but not yet in service

\*\*Beds exempted under 10% per 3 year provision

**B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. Attachment Section A-10.**

N/A

**C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.**

<u>CON Number(s)</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>
CN1511-050	4/1/2018	4
CN1511-051	4/1/2018	4
CN1511-052	4/1/2018	4
CN1511-053	4/1/2018	4
CN1511-054	4/1/2018	4
CN1512-062	5/1/2018	4
CN1512-063	5/1/2018	4
CN1512-064	5/1/2018	4
CN1512-065	5/1/2018	4

11. **Home Health Care Organizations** - Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: N/A

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

=31

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<input type="checkbox"/> Below 1 <sup>st</sup> Quartile	<input type="checkbox"/> Below 1 <sup>st</sup> Quartile	<input type="checkbox"/> Below 1 <sup>st</sup> Quartile
<input type="checkbox"/> Between 1 <sup>st</sup> and 2 <sup>nd</sup> Quartile	<input type="checkbox"/> Between 1 <sup>st</sup> and 2 <sup>nd</sup> Quartile	<input type="checkbox"/> Between 1 <sup>st</sup> and 2 <sup>nd</sup> Quartile
<input type="checkbox"/> Between 2 <sup>nd</sup> and 3 <sup>rd</sup> Quartile	<input type="checkbox"/> Between 2 <sup>nd</sup> and 3 <sup>rd</sup> Quartile	<input type="checkbox"/> Between 2 <sup>nd</sup> and 3 <sup>rd</sup> Quartile
<input type="checkbox"/> Above 3 <sup>rd</sup> Quartile	<input type="checkbox"/> Above 3 <sup>rd</sup> Quartile	<input type="checkbox"/> Above 3 <sup>rd</sup> Quartile

- \*

### 13. MRI, PET, and/or Linear Accelerator

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- Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or

**Response:** Not Applicable.

- Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

**Response:** Not Applicable.

- Complete the chart below for acquired equipment.

**Response:** Not Applicable.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____
	Total Cost*: _____		<input type="checkbox"/> By Purchase
<input type="checkbox"/> New <input type="checkbox"/> Refurbished		<input type="checkbox"/> By Lease	Expected Useful Life (yrs) _____
		<input type="checkbox"/> If not new, how old? (yrs) _____	
<input type="checkbox"/> MRI	Tesla: _____ Magnet: _____		<input type="checkbox"/> Breast <input type="checkbox"/> Extremity
	Total Cost*: _____		<input type="checkbox"/> Open <input type="checkbox"/> Short Bone <input type="checkbox"/> Other _____
<input type="checkbox"/> New <input type="checkbox"/> Refurbished		<input type="checkbox"/> By Purchase	
		<input type="checkbox"/> By Lease	Expected Useful Life (yrs) _____
		<input type="checkbox"/> If not new, how old? (yrs) _____	
<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI		<input type="checkbox"/> By Purchase
	Total Cost*: _____		<input type="checkbox"/> By Lease
<input type="checkbox"/> New <input type="checkbox"/> Refurbished		<input type="checkbox"/> If not new, how old? (yrs) _____	Expected Useful Life (yrs) _____

\* As defined by Agency Rule 0720-9-.01(13)

- In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

**Response:** Not Applicable.

- Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

**Response:** Not Applicable.

- Schedule of Operations: **Response:** Not Applicable.

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am - 3 pm)
Fixed Site (Applicant)	_____	_____
Mobile Locations		



(Applicant)	33	
(Name of Other Location		
(Name of Other Location		

E. Identify the clinical applications to be provided that apply to the project.

**Response:** Not Applicable.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

**Response:** Not Applicable.

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## SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

### QUESTIONS

#### SECTION B: NEED

- A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

#### SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

##### CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

##### **For relocation or replacement of an existing licensed health care institution:**

- a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

**Response:** Renovation rather than relocation was not deemed a reasonable alternative to the Applicant due to the extensive costs to meet new fire-safety regulations and those which would have been necessary to update the building taken in the context of noted unsafe changes in the neighborhood.

- b. **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

**Response:** There is an acceptable existing and future demand for the proposed project that is demonstrated by the current and historical near full census at the facility. This demand has been relatively stable, so the Applicant does not anticipate future decrease in the demand.

#### **A. Need**

1. *The population-based estimate of the total need for ICF/MR facilities is .032 percent of the general population. This estimate is based on the estimate for all mental retardation of 1 percent. Of the 1 percent estimate, 3.2 percent of those are estimated to meet level 1 criteria and be appropriate for ICF/MR services.*

**Response:** The 2017 population of Shelby County, Tennessee is estimated to be 964,804, with 64 ICF/IID beds currently in the county. Using the need-based estimate of .032%, the need in Shelby County is 309 beds.

This project, however, does not involve the development of new ICF/IID beds. Therefore, the population-based needs analysis in the Guidelines for Growth is inapplicable. The beds which are being used by this project serve only to replace beds already in existence at the Applicant's current facility. Thus, no net increase in the number of ICF/IID beds is intended by this application.

2. *The estimate for total need should be adjusted by the existent ICF/MR beds operating in the area as counted by the Department of Health, Department of Mental Health and Developmental Disabilities, and the Division of Mental Retardation Services in the Joint Annual Reports.*

**Response:** The total estimated need minus the existing beds leaves a need of 245 beds.

#### B. Service Area

1. *The geographic service area should be reasonable and based on an optimal balance between population density and service proximity.*

**Response:** The Residents in the Applicant's facility who will be relocated are currently in Shelby County, so it is less disruptive to the Residents as well as their families and conservators if they remain in the Shelby County area.

Given the anticipated acuity level of individuals at the facility, and the recent changes by CMS regarding Home and Community-Based Services (HCBS) as to whether such individuals receive services in their own home or in the community, transportation to a day center may not occur on a regular basis. If such day center services are needed Open Arms has an existing day treatment center in Memphis which serves Open Arms' Shelby County facilities and which will continue to do so upon completion of the proposed facility if this application is approved.

Please find below a chart of distances from the proposed location to services within the area.

Shelby County (Old Dexter Road, Cordova, TN 38016)			
Service	Closest Location	Driving Distance	Driving Time
Nearest Incorporated City	Cordova, TN	Facility is within city limits.	Not applicable.

<b>Hospital</b>	Saint Francis Hospital <sup>36</sup> – Bartlett, 2896 Kate Bond Road, Bartlett, TN 38133	3.6 miles	9 minutes
<b>Physician Offices</b>	Locations vary but they are all close to Saint Francis-Bartlett hospital.	Varies	Varies
<b>EMS/Fire Station</b>	Memphis Fire Station No. 58, 8395 Dexter Road, Cordova	.2 Miles	1 minute
<b>Day Treatment (if applicable)</b>	5120 Yale Road, Memphis, TN 38134	9.6 Miles	21 minutes

*2. The relationship of the socio-demographics of the service area and the project population to receive services should be considered. The proposal's sensitivity and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low-income groups, and those needed services involuntarily.*

**Response:** The project population consists of residents of one of the Applicant's facilities that the Applicant desires to relocate to an ICF/IID within Shelby County. The Applicant is aware of their special needs, including their age distribution, nutritional needs, mobility and visual impairments, and their psychiatric and behavioral needs. This facility is designed and located with their needs in mind and is dedicated to serving them. The Applicant serves all individuals regardless of racial, ethnic, or other demographic background. The proposed facility will be located in a residential setting to promote community inclusion.

#### *C. Relationship to Existing Applicable Plans*

*1. The proposal's relationship to policy as formulated in the state, city, county, and /or regional plans and other documents should be a significant consideration.*

**Response:** The Applicant is building this facility to continue to most effectively and efficiently serve the needs of the Residents.

*2. The proposal's relationship to underserved geographic areas and underserved populations groups as identified in state, city, county, and/or regional plans and other documents should be a significant consideration.*

**Response:** The Applicant is building this facility to continue to most effectively and efficiently serve the needs of the Residents, including underserved groups.

*3. The impact of the proposal on similar services supported by state and federal appropriations should be assessed and considered.*

**Response:** This project will shift existing ICF/IID beds from the Applicant's old facility to an eight-bed group home, as a part of the Applicant's plan to modernize its aging facilities.

*4. The degree of projected financial participation in the Medicare and TennCare programs should be considered.*

**Response:** ICF/IID services in Tennessee are funded by TennCare and the Applicant anticipates that TennCare funds will be responsible for 96% of the facility's revenue. The remaining 4% will come from residents' SSI benefits.

*D. Relationship to Existing Similar Services in the Area*

1. *The area's trends in occupancy and utilization of similar services should be considered.*

**Response:** The Applicant operates all 64 ICF/IID beds currently licensed in Shelby County in eight (8) facilities which each contain 8 licensed beds.

These beds are at full occupancy. A chart of the occupancy of ICF/IID's in the county for the past three years follows.

**ICF/IID Utilization, Shelby County**

	2012	2012	2012	2013	2013	2013	2014	2014	2014
Facility/Address	Lic. Beds	ADC	% Occup.	Lic. Beds	ADC	% Occup.	Lic. Beds	ADC	% Occup.
Allendale Drive Home 1	8	8	99.5%	8	8	99.5%	8	8	99.5%
Allendale Drive Home 2	8	8	99.5%	8	8	99.5%	8	8	99.5%
Benjestown Home 1	8	8	99.5%	8	8	99.5%	8	8	99.5%
Benjestown Home 2	8	8	99.5%	8	8	99.5%	8	8	99.5%
Greendale Home 1	8	8	99.5%	8	8	99.5%	8	8	99.5%
Greendale Home 2	8	8	99.5%	8	8	99.5%	8	8	99.5%
Raleigh Millington Home 1	8	8	99.5%	8	8	99.5%	8	8	99.5%
Raleigh Millington Home 2	8	8	99.5%	8	8	99.5%	8	8	100.0%
<b>TOTAL</b>	<b>64</b>	<b>64</b>	<b>99.5%</b>	<b>64</b>	<b>64</b>	<b>99.4%</b>	<b>64</b>	<b>64</b>	<b>99.5%</b>

Source: Open Arms internal records

2. *Accessibility to specific special needs groups should be an important factor.*

**Response:** As an ICF/IID home, this facility will be accessible to individuals living with intellectual or developmental disabilities. Its bathroom and bedroom facilities and nursing station are specifically designed to assist medically fragile residents with severe intellectual or developmental disabilities.

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- B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

**Response:** The Applicant is a long time provider of ICF/IID services in Tennessee, and this proposed replacement home is a part of the Applicant's intended systematic replacement of various aging buildings. This replacement home will provide modern amenities similar to the new homes, located in East Tennessee, that were approved by the Agency for the Applicant in 2016.

- C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment Section B - Need-C.**

**Response:** Please see Attachment B – Need – C for a map of the service area. As the residents are currently in Shelby County and will be remaining there, there is no need to justify a change of service area.

Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1	Not Applicable.	
County #2		
Etc.		
Total		100%

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1	Not Applicable.	
County #2		
Etc.		
Total		100%



D. 1). a) Describe the demographics of the <sup>40</sup>population to be served by the proposal.

- b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

	Department of Health/Health Statistics							Bureau of the Census				TennCare	
Demographic Variable/ Geographic Area	2017 Total Population-	2021 Total Population	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population- % Change	Target Population Projected Year as% of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as %Of Total	TennCare Enrollees	TennCare Enrollees as % of Total Population
Shelby County	964,804	986,423	2.2%	308,7	315,7	2.3%	.00032%	35.4	\$46,224	188,790	20.2%	247,356	25.6%
Service Area Total	964,804	986,423	2.2%	308,7	315,7	2.3%	.00032%	35.4	\$46,224	188,790	20.2%	247,356	25.6%
State of TN Total	6,887,572	7,179,512	4.2%	2,204.0	2,297.4	4.2%	.00032%	38.7	\$45,219	1,050,889	15.8%	1,422,877	20.7%

\* *Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.*

**Response:** The target population is .032% of the general population.

- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**Response:** The Residents of the facility are all individuals with severe intellectual or developmental disabilities requiring institutional care. The Applicant's facility will be specially designed to meet residents' physical and medical needs, such as accessible entry doors, hallways, bathrooms, transportation, and ADA-compliant sink/vanity and toilets. Other services that will be provided include assistance meeting hygiene requirements, specialized dietary services, physical therapy, and activities of daily living, including physical, occupational, and behavioral therapies. The overall goal is to provide residents with an environment and services that will let them live dignified and meaningful lives in a community setting.



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- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

**Response:** Not applicable. As noted above, all existing ICF/IID beds in Shelby County are at full occupancy, and there are no approved-but-unimplemented ICF/IID beds for Shelby County.

- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**Response:** The Applicant projects 99.7% and 99.2% occupancy of the eight beds, or 2,910 and 2,898 resident bed days, respectively, for the first two years of operation of this facility. This is based upon the Applicant's experience and the facility's current occupancy rate, as the Applicant anticipates no change.

## **SECTION B: ECONOMIC FEASIBILITY**

- A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
- 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
  - 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
  - 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
  - 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.
  - 5) For projects that include new construction, modification, and/or renovation — **documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
    - a) A general description of the project;
    - b) An estimate of the cost to construct the project;
    - c) A description of the status of the site's suitability for the proposed project; and

- d) Attesting the physical environment<sup>42</sup> will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

**Response:** Please see Attachment B. Economic Feasibility – A5 for a copy of the letter from the architect supporting the estimated construction cost. Please see the Project Costs Chart on the following page, which includes the cost of an emergency generator.

As the total rent expense over the term of the lease is higher than the costs of land purchase, development, construction, etc. that amount is not used in the Project Costs Chart, but the Applicant has used the total lease costs, plus certain "soft costs" and a small Contingency Fund in the Project Costs Chart for unanticipated expenses.

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Please note the facility cost of \$5,050,000<sup>44</sup> was calculated as required by HDSA rules as to the use of the higher of actual cost or rental costs over the life of a lease, with \$5,050,000 being the estimated average annual rental cost of \$168,333 multiplied by the number years in the lease term (30).

For comparison, the components of development and construction costs are as follows:

Acquisition of site	225,000
Architectural and engineering fees	35,000
Preparation of site	45,000
Construction costs	1,150,000
Landscaping and irrigation	25,000
Contingency fund	50,000
Furnishings and equipment	50,000
<b>TOTAL</b>	<b>\$1,580,000</b>

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)***

- ☐ 1) Commercial loan - Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ 2) Tax-exempt bonds - Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ 3) General obligation bonds - Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ 4) Grants - Notification of intent form for grant application or notice of grant award;
- ☐ 5) Cash Reserves - Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☒ 6) Other - Identify and document funding from all other sources.

**Response:** The cost of the project will be paid through a commercial loan from ServisFirst Bank to FDG, which FDG will pay back using the Applicant's lease payments. Please see Attachment B – Economic Feasibility – B for documentation to this effect.

C. Complete Historical Data Charts on the following two pages — **Do not modify the Charts provided or submit Chart substitutions!**

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Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

**Response:** Please see Attachment B. Economic Feasibility – C. The Applicant's payment for the ICF/IID services it provides will be reimbursement from TennCare be based on its expenses such that its funding will tend to be equal to its expenses. Therefore, there will be no surplus revenue. Further, the Applicant anticipates no bad debt due to its reimbursement by TennCare for 96% of its expenses, with the remaining 4% anticipated to come from residents' SSI income. Please note that the Applicant's lease payments are structured to allow the Landlord to fulfill its responsibility to maintain the building, so the Applicant will not be responsible for repairs and upkeep of the facility beyond the usual tenant duties such as lawn care and cleaning. Additionally, the Projected Data Chart accounts for residents' dietary meals and supplies expenses in the "Other Expenses" line item at D.6 in the chart itself and in the "Miscellaneous" category if one refers to the itemization of that line item following the Projected Data Chart.

With respect to the losses shown in the Historical Data Chart for 2014, 2015 and 2016 and the projected net income in the Projected Data Chart, the Applicant notes that prior to 2015 it was the obligor on its mortgage financing regarding the current facility (as well as numerous of its other facilities). In 2015 Open Arms entered into a sale-leaseback transaction regarding those facilities, which changed how Open Arms paid the occupancy costs for its facilities (as lease payments rather than mortgage payments). However, due to the requirements of the cost-based reimbursement methodology for ICF/IID facilities (including requirements as to the calculation of the depreciation allowance for the landlord's costs in a sale-leaseback transaction), there is a "lag" which results in the changes from mortgage payments to lease payments not appearing until 2016.

D. Complete Projected Data Charts on the following two pages - **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

**Response:** Please see Attachment B. Economic Feasibility – C. Please note that the estimated average annual rental cost will be tied to the anticipated principal and interest payments due from FDG to its lender, and the initial principal amount will be related to the costs of construction and development. The currently estimated annual rental cost averages \$110,000, but, due to the above, annual rental cost will be higher in early years and decrease in later years as the outstanding principal balance of the loan decreases.

E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous <sup>46</sup> Year	Current Year	Year One	Year Two November 22, 2017 2:32 P.M.	% Change (Current Year to Year 2)
<b>Gross Charge</b> (Gross Operating Revenue/Utilization Data)	\$423.59	\$479.69	\$614.66	\$612.41	15.7%
<b>Deduction from Revenue</b> (Total Deductions/Utilization Data)	0	.0069	0	0	0
<b>Average Net Charge</b> (Net Operating Revenue/Utilization Data)	\$423.59	\$479.68	\$614.66	\$612.41	15.7%

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

**Response:** The proposed charge schedule is \$614.66 per patient day for the first year of operations of the new facility. The Applicant anticipates that almost all of its revenue will come from TennCare, with some of the revenue coming from residents' SSI benefits, as required by TennCare. The money from residents' SSI benefits will be used to cover some of the cost of services. The Applicant is not aware of any residents with food stamp benefits.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**Response:** As the only provider in Shelby County, the Applicant can confirm that the proposed charges are in line with rates it charges at its other facilities in the Service Area. Open Arms' proposed rate is \$614.66 per patient day, which is slightly more than the \$521.85 average rate charged by Open Arms in Shelby County. The rates charged by Open Arms in its Shelby County facilities are shown in the table below. The slight difference in rates can be explained by the additional fire safety code requirements the proposed home will need to meet as well as an anticipated increase in expenses associated with patient care. Most of the residents have been in the home for many years and are increasing in acuity level as they age. Consequently, Open Arms has to plan the proposed home keeping both current and future needs of the residents in mind, which will impact the cost of operations.

Please note that the per diem charges primarily include daily nursing services with licensed nurses or techs and primary physician services. Specialized care, hospitalizations or ancillary medical care are covered by TennCare.

Shelby County 8-Bed ICF Established Per Diem Rate	
Facility	Rate
Open Arms 4240 Raleigh Millington Road	\$517.78
Open Arms 4254 Raleigh Millington Road	\$526.39
Open Arms 1445 Greendale Avenue (Shelby #2)	\$512.70

Open Arms 1457 Greendale Avenue (Shelby #1)	\$527.05
Open Arms 5350 Benjestown Road	\$529.45
Open Arms 5380 Benjestown Road	\$520.60
Open Arms 4695 Allendale Drive	\$523.19
Open Arms 4707 Allendale Drive	\$517.69

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-FI. NOTE: Publicly held entities only need to reference their SEC filings.**

**Response:** Please also see Attachment B – Economic Feasibility – F1.

- 2) Net Operating Margin Ratio - Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	.064	-.065	-.040	0	0

- 3) Capitalization Ratio (Long-term debt to capitalization) - Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

**Response:** Using 2016 data, the capitalization ratio for the Applicant is 146.88% after calculating per the formula  $((2,000,000/(2,000,000 + (-638,307))) \times 100 = 146.88\%)$ .

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of



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projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

**Response:** All Residents are TennCare/Medicaid recipients. This project is intended to provide specialized services to TennCare/Medicaid recipients in need of ICF level care. The Applicant anticipates that 96% of its revenue will come from TennCare and the remaining 4% from resident's SSI income.

- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

**Response:** ICF/IID services contemplate more than nursing level care; there is requirement for "active treatment," meaning individualize programming. Each client is required to have a specific and dynamic individualized habilitation plan of services. Regulations require the involvement of a multidisciplinary team to evaluate, design and implement client plans, including a Qualified MR Professional, Dietician and Behavioral Analyst. These professionals staff the individual habilitation plan teams, design programs and environments, monitor progress and revise as necessary to recognize changing client needs on an individualized basis.

Position Classification	Existing FTEs (2017)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
<b>a) Direct Patient Care Positions</b>				
RN	0.25	0.25	\$60,000	\$57,590
LPN	1.98	1.98	\$38,836	\$37,180
Qualified MR Professional	0.13	0.13	\$65,000	N/A
Direct Support Staff	12.50	20.05	\$22,431	\$23,340
<b>Total Direct Patient Care Positions</b>	14.86	22.41		
<b>b) Non-Patient Care Positions</b>				
Resident Manager	1.00	1.00	\$34,000	N/A
Maintenance	0.25	0.25	\$34,000	N/A
Central Office	0.75	0.75	Varies	Varies
<b>Total Non-Patient Care Positions</b>	2	2		
<b>Total Employees (A+B)</b>	16.86	24.41		
<b>c) Contractual Staff</b>				
Speech Therapist	0.13	0.13	\$80/hour	\$70,810
Occupational Therapist	0.13	0.13	\$65/hour	\$82,830
Physical Therapist	0.13	0.13	\$75/hour	\$85,420
<b>Total Staff (a+b+c)</b>	17.25	24.8		

Source: Tennessee Department of Labor & Workforce Development (2016 LMI)

- I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

HF-0004 Revised 12/2016 - All forms prior to this time are obsolete.

RDA 1651



- 1) Discuss the availability of less costly, <sup>49</sup>more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

**Response:** Renovating the current facility was an option that was contemplated but rejected due to the expense that would have been expended on an aging home as well as the considerable disruption renovation would have caused to residents. Given the extensive impending fire-safety regulation changes that would require the Applicant to make significant renovations to the home in addition to any modernization renovations in lieu of relocation, the cost of building a new facility was more cost-effective.

- 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

**Response:** As previously noted, the expenses associated with renovating the facility were unreasonable given the extent of renovations that would be required.

## **SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

- A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

**Response:** None.

- B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

- 1) **Positive Effects**

**Response:** None known other than as currently exist for the current facility.

- 2) **Negative Effects**

**Response:** None known.

- C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

**Response:** Sufficient as shown by the current facility operations. The Applicant currently meets and will continue to meet the staffing requirements of the facility following the proposed relocation. The Applicant does not anticipate needing to hire additional staff from what is in use at the current location of the facility.

- 2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership,

physician supervision, quality assurance<sup>50</sup> policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

**Response:** The Applicant has reviewed and understands the aforementioned requirements.

- 3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**Response:** Not applicable.

- D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

**Licensure:** The Tennessee Department of Intellectual and Developmental Disabilities.

**Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):** TennCare

**Accreditation (i.e., Joint Commission, CARF, etc.):** Not applicable.

- 1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

**Response:** The facility is currently licensed by and in good standing with the Tennessee Department of Intellectual and Developmental Disabilities. The Applicant does not participate in an accreditation organization. Please see Attachment B – Contribution to the Orderly Development of Health Care – D1 for a copy of the facility's license.

- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

**Response:** Please see Attachment B – Contribution to the Orderly Development of Health Care – D2 for the most recent statement of deficiencies and plan of correction that was accepted by the licensing agency. Please note that an October 25, 2017 letter from the Department of Intellectual and Developmental Disabilities indicating that the location is in compliance with applicable licensure rules has been provided as this is the only documentation received by the facility that its plan of correction was accepted and the facility is in good standing with no uncorrected deficiencies.

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

**Response:** Not applicable.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

**Response:** Not applicable.

- E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- 1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

**Response:** Not applicable.

2) Been subjected to any of the following:

- a) Final Order or Judgment in a state licensure action;
- b) Criminal fines in cases involving a Federal or State health care offense;
- c) Civil monetary penalties in cases involving a Federal or State health care offense;
- d) Administrative monetary penalties in cases involving a Federal or State health care offense;
- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or
- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.
- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.
- h) Is presently subject to a corporate integrity agreement.

**Response:** Not Applicable.

F. Outstanding Projects:

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

**Outstanding Projects**

<b>CON Number</b>	<b>Project Name</b>	<b>Date Approved</b>	<b>*Annual Progress Report(s)</b>		<b>Expiration Date</b>
			<b>Due Date</b>	<b>Date Filed</b>	
CN1511-050	Open Arms Care Corporation dba Greeneville #1 Chuckey Pike	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-051	Open Arms Care Corporation dba Hamilton County #2 Gamble Road - Southwest	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-052	Open Arms Care Corporation dba Greeneville #3 East Church Street - East	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-053	Open Arms Care Corporation dba Hamilton County #1 Gamble Road - Southeast	2/24/2016	4/1/2017	5/31/2017	4/1/2018
CN1511-054	Open Arms Care Corporation dba Greeneville #2 East Church Street - West	2/24/2016	4/1/2017	5/31/2017	4/1/2018

CN1512-062	Open Arms Care Corporation dba Knox County #1 Bishops Bridge Northeast	3/23/2016	5/1/2017	5/31/2017	5/1/2018
CN1512-063	Open Arms Care Corporation dba Knox County #2 Bishops Bridge Northwest	3/23/2016	5/1/2017	5/31/2017	5/1/2018
CN1512-064	Open Arms Care Corporation dba Knox County #4 South Northshore Drive Northwest	3/23/2016	5/1/2017	5/31/2017	5/1/2018
CN1512-065	Open Arms Care Corporation dba Knox County #3 South Northshore Drive Southeast	3/23/2016	5/1/2017	5/31/2017	5/1/2018

\* Annual Progress Reports - HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

**Response:** The facilities constructed pursuant to each of the outstanding CONs have now been completed and approved for occupancy, and residents are now in such facilities. The Applicant is still working with the architect and contractor on final cost certifications, which are anticipated to be completed within the next 30 days. Annual Progress Reports have previously been submitted for such facilities, and the Final Project Report will be submitted after the final cost certifications are completed and verified.

G. Equipment Registry - For the applicant and all entities in common ownership with the applicant.

1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)?

**Response:** Not Applicable.

2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

**Response:** Not Applicable.

3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

**Response:** Not Applicable.

## **SECTION B: QUALITY MEASURES**

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

**Response:** The Applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the Applicant's requested certificate of need, if approved.

### **SECTION C: STATE HEALTH PLAN QUESTIONS**

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning> ). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

- A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

**Response:** The proposed facility reflects this principle by ensuring that the Applicant may provide its residents the same high quality health care in a newer, safer, more supportive environment. The proposed facility will be constructed to comply with updated building codes, ensuring that residents will not have to endure the hassle and instability of renovations at their existing home. In addition, relocation to a more resident-friendly neighborhood will better support the comprehensive medical and social services the Applicant provides its residents. The Applicant will continue to provide residents with medical care in accordance with physician recommendations and on a more general, as-needed basis. These services address the full range of the residents' medical needs, including their mental and behavioral health. Depending on the resident and his or her medical needs, residents will receive assistance meeting hygiene requirements, specialized dietary services, physical therapy, and assistance with activities of daily living, as well as physical, occupational, and behavioral therapies. Residents will also have access to both planned and spontaneous activities, including vocational training and job coaching, which will be easier to access and enjoy in the safe and supportive environment of their new community.

- B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

**Response:** The Applicant will ensure that all residents continue to receive medical care in the manner and on the schedule prescribed by regulations and residents' physicians, as well as on an as-needed basis. Of note, the Applicant is one of only a few ICF/IID providers in Shelby County, and the proposed replacement facility will ensure that these eight beds remain available to Shelby County residents. While the Applicant has been able to adapt to the aging of its current facility, the Applicant would be able to provide that care more efficiently in the proposed newer facility, particularly once the revised building codes go into effect and the Applicant will be responsible for providing care while addressing the necessary updates. Additionally, the nature of residential care means that the quality of resident experiences will depend at least in part on the surrounding neighborhood. In light of the general decline in the area surrounding its existing facility, the Applicant believes this is the right time to move its operations to a more traditional residential area, where the calmer setting will ensure both easier access to services in the community and long-term quality of life for its residents.

- C. Health resources in Tennessee, including <sup>54</sup>health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

**Response:** Providing support in an ICF/IID will be cost effective at the Applicant's proposed facility due to its strategic, thoughtful staffing, emphasis on preventive care, management oversight of resource utilization, and design of a home specifically dedicated to the Residents' needs. The Applicant's model will generate ongoing cost savings through its particular emphasis on preventive care and preservation of residents' existing mobility through therapy. Pairing ICF/IID homes to maximize economies of scale while maintaining a home-like environment is a common practice utilized by both public and private ICF/IIDs in the state, in large part because it permits providers like the Applicant to ensure both quality and efficiency. That the Applicant's facilities share a management company and physical address creates a range benefits, from the reduction of small, less-obvious fees like rates on lawn care to more impactful savings from the Applicant's ability to conduct joint internal visits and audits for both facilities, as opposed to having to make arrangements for two different locations. Additionally, through its nearly 30 years of experience, the Applicant will be able to put its expertise to work and take advantage of the economies of scale made possible by its many locations throughout the state, which will enable the Applicant to spend less money than would be spent by a less experienced applicant.

- D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

**Response:** As a provider of ICF/IID services, the Applicant's services are overseen by both the state of Tennessee and the federal government. The Applicant is a decades-long ICF/IID services provider veteran and is well versed in satisfying these requirements and ensuring that its facilities and providers meet or exceed the important regulatory and licensure expectations and standards set out for them. The Applicant maintains a good relationship with its state and federal regulators. In addition, the Applicant's use of co-located facilities, a common management company, and reliance on a broad network of facilities across the state (including others in the Shelby County area) ensures that its providers participate in a constant, iterative system of checks and balances to ensure high quality resident care. Tennesseans can be confident that services offered at one of the Applicant's facilities have the backing of its experience and regulatory oversight.

- E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

**Response:** The Applicant engages licensed and unlicensed personnel to provide the full range of medical and social services to the residents in its facilities. The Applicant's home-based model supports a cohesive approach to ensuring each individual receives the attention and care they need to function at their best. Moreover, by adding a new ICF/IID in the proposed service area, the Applicant will ensure that these services remain available to the community and that individuals interested in providing the services continue to come to the community to work.

## PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

## NOTIFICATION REQUIREMENTS

### **(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)**

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

## DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

## 56 PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		February 2018
2. Architectural and engineering contract signed	0	February 2018
3. Construction documents approved by the Tennessee Department of Health	60	April 2018
4. Construction contract signed	0	April 2018
5. Building permit secured	30	May 2018
6. Site preparation completed	30	June 2018
7. Building construction commenced	5	June 2018
8. Construction 40% complete	45	August 2018
9. Construction 80% complete	60	October 2018
10. Construction 100% complete (approved for occupancy)	45	December 2018
11. *Issuance of License	20	January 2019
12. *Issuance of Service	15	February 2019
13. Final Architectural Certification of Payment	45	March 2019
14. Final Project Report Form submitted (Form HR0055)	30	April 2019

\*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

**NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date**



**Attachment A – 3C**  
**Consent Calendar Request**

**Michael D. Brent**

Partner  
mbrent@bradley.com  
615.252.2361 direct



November 15, 2017

Ms. Melanie M. Hill  
Tennessee Health Services & Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, Tennessee 37243

Dear Melanie:

Enclosed you will find an original, plus two copies, of a CON Application by Open Arms Care Corporation, for the replacement and relocation of an eight-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"). The current facility is located at 5350 Benjestown Road, Memphis (Shelby County), Tennessee 38127, and will be relocated to a lot of approximately 4.1 acres near the intersection of Dexter Road and Dexter Lane, in Shelby County, Tennessee. As we have previously discussed with your staff, given the nature of this application, and the fact this is a replacement of a facility that has been in operation nearly three decades by this applicant, we request that you give consideration to placing this application on the "Consent Calendar."

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

A handwritten signature in dark ink, appearing to read "Michael D. Brent", written over the printed name.

Michael D. Brent

MDB/cae

**EXHIBIT A**

**FACILITY ANNUAL BUDGET**

[to be attached after finalization and approval in writing by each party hereto]

PHASE I:  
FUNDING

ServisFirst  
Bank

\$\$\$

PHASE II:  
DEVELOPMENT

Facilities Development  
Group  
(FDG)

Purchases

Develops

LAND

HOUSE

PHASE III:  
FINAL OWNERSHIP OF ASSETS  
AND OPERATIONS

Facilities Development  
Group  
(FDG)

Leases  
Land + House

Open Arms Care Corp.  
(OACC)  
("Op-co")

Management  
Contract

Integra  
Resources

Owms

Owms

LAND

HOUSE

ICF/IID

Provides  
Services

Operates

Services for IID Residents

**Attachment A - 6B-1**

**Plot Plan**

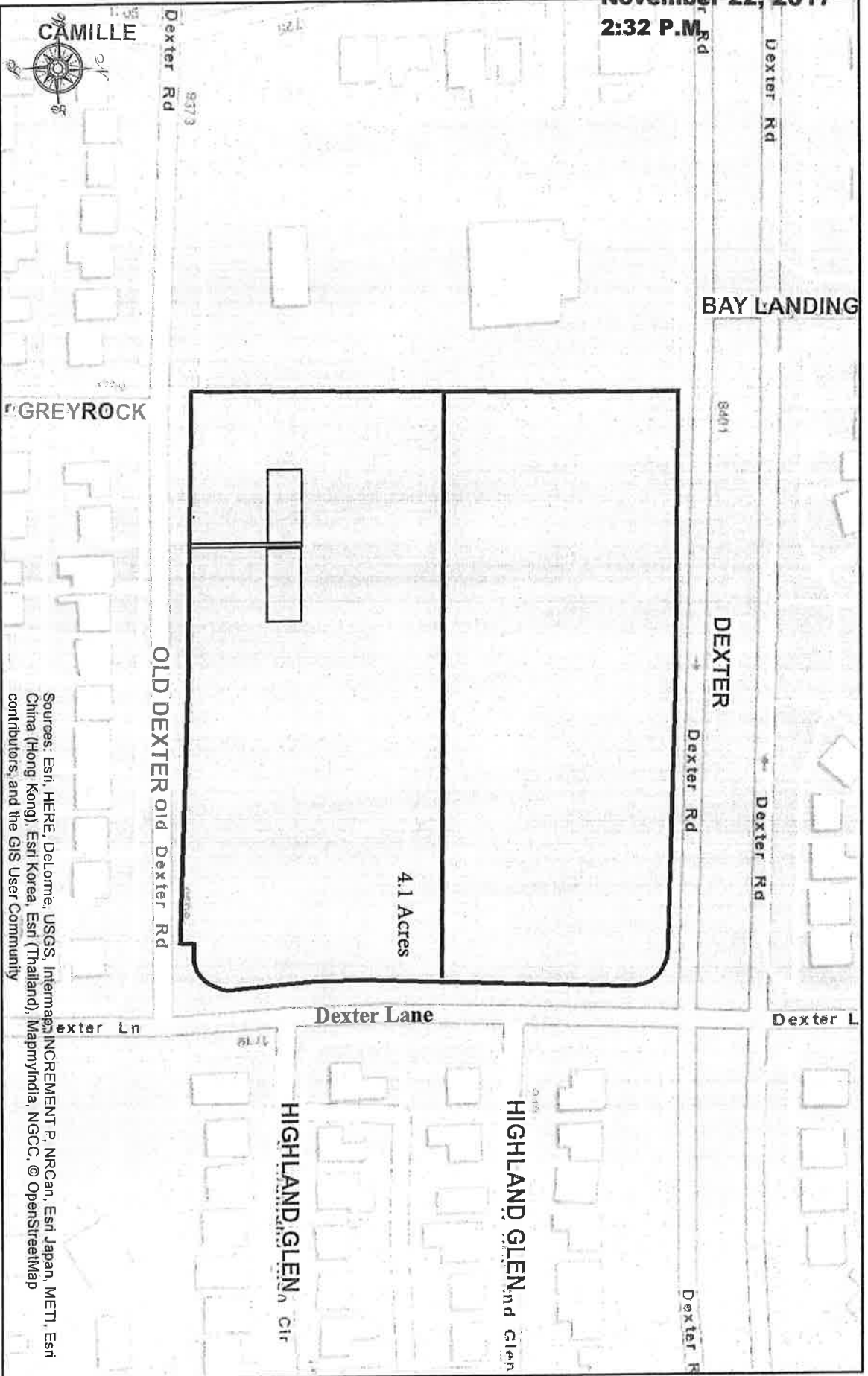
# Old Dexter Road

Supplemental #1

November 22, 2017

2:32 P.M.

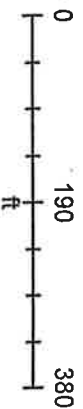
62



## TOM LEATHERWOOD, REGISTER OF DEEDS SHELBY COUNTY, TENNESSEE

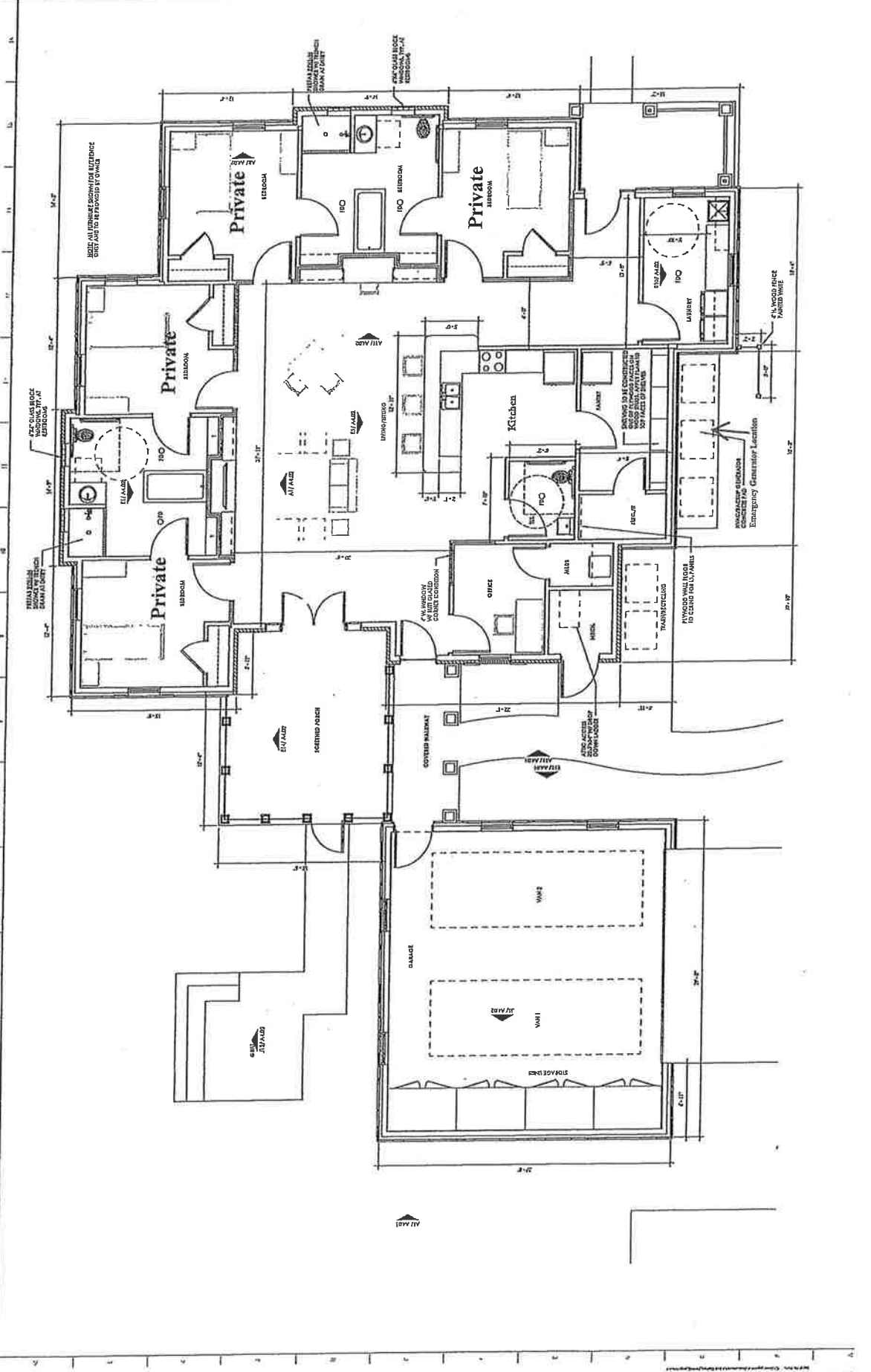
DISCLAIMER: PROPERTY TAX MAPS AND PARCEL BOUNDARIES DO NOT REFLECT ACCURATE SURVEY INFORMATION OR EXACT LEGAL OWNERSHIP BOUNDARIES, AND ARE ONLY PROVIDED FOR GENERAL INFORMATION PURPOSES. THEREFORE, THEY SHOULD NOT BE RELIED UPON AS A REPRESENTATION OF ANY PROPERTY FOR ANY PURPOSE.

MAP DATE: November 14, 2017



**Attachment A - 6B-2**

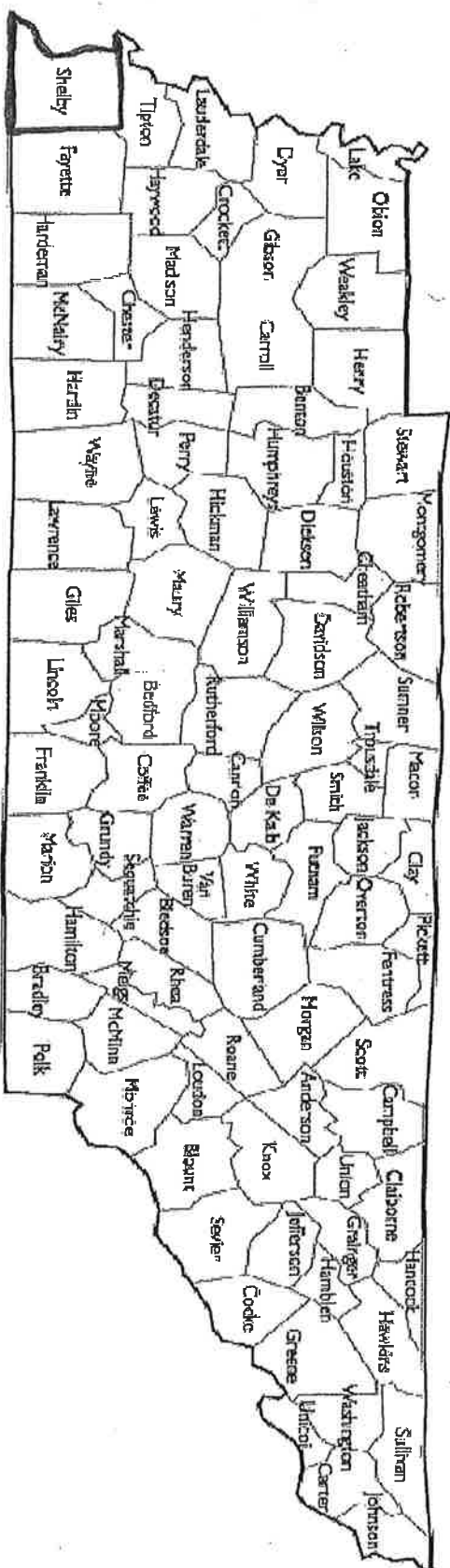
**Floor Plan**





**Attachment B - Need-C**  
**Service Area Map**

# TENNESSEE COUNTY MAP



**Attachment B - Economic Feasibility - A5**

**Letter Supporting Estimated Construction Costs**

October 9, 2017

**Freddie Vanderveer**  
**Open Arms Care Corporation**  
 6 Cadillac Drive, Suite 350  
 Brentwood, TN 37027

Re: New Homes

Dear Freddie:

It is my pleasure to submit this letter outlining the new 4- bed homes to be constructed in the State of Tennessee. The homes will be new construction 2,800 square foot, 4-bed ICF/III facilities. We have worked diligently to accommodate the needs of the future residents, and have taken into account their special requirements in designing the homes

My initial estimate is that construction of each home will cost in the range of \$575,000 - \$625,000, which includes an allowance of \$25,000 for landscaping and irrigation. This estimate represents what it will cost to construct the project, and to provide a physical environment, according to the applicable federal, state, and local construction codes, standards, specifications, and requirements. The physical environment will conform to applicable federal standards, manufacturer's specifications, Americans with Disabilities Act (ADA), and licensing agencies' requirements including the newest AIA Guidelines for Design and Construction of Hospital and Health Care Facilities. Civil design will be incorporated on a per site basis as the lots become available. The commercial grade materials on the interior and exterior are subject to change on a per lot basis.

Sincerely,



**Dave Johnston AIA**  
 Principal



AUSTIN  
 HOUSTON  
 NASHVILLE

211 Union  
 Nashville Tennessee 37201  
 615 248 4400 V  
 615 248 4401 F

[www.stgdesign.com](http://www.stgdesign.com)

**Attachment B - Economic Feasibility - B**

**Funding Documentation**

SERVISFIRST BANK  
 1801 West End Avenue  
 Suite 850  
 Nashville, TN 37203  
 T 615.921.3500  
 servisfirstbank.com

October 10, 2017

Ms. Melanie Hill  
 Executive Director  
 Tennessee Health and Development Services Agency  
 502 Deaderick Street, 9<sup>th</sup> Floor  
 Nashville, TN 37242



RE: Financing Letter of Interest for construction and permanent financing of replacement facilities for Open Arms Care Corporation.

Dear Ms. Hill :

I am writing in regards to my recent discussions with the senior management team of Facilities Development Group and Open Arms Care Corporation concerning construction and permanent financing for up to \$12,000,000; for 8 replacement facilities associated with a Certificate of Need Application for the replacement of 8 residential homes in Memphis, TN.

On behalf of ServisFirst Bank (the "Bank"), I am pleased to advise you of the Bank's intent to extend to Facilities Development Group, LLC (the "Borrower") an up to \$12,000,000 Term Loan Credit Facility (the "Credit Facility"). The Credit Facility is expected to mature 7 years from closing and will be utilized for the construction and permanent financing of 8 replacement facilities for lease to Open Arms Care Corporation. Open Arms Care Corporation would replace the existing 8 residential facilities it currently operates in the Memphis, TN market. Based on current market conditions and the anticipated loan to value ratio, the interest rate on the Credit Facility is anticipated to be between 5% and 5.50%. The Credit Facility would include security documentation typical for a transaction of this type, including deeds of trust, and assignments of leases. It would also be subject to provisions substantially similar to the Credit Facilities currently in place for Facilities Development Group and its loan for facilities operated by Open Arms Care Corporation, as well as conditions precedent, terms, loan covenants, and performance ratios that are standard for a transaction of this type (for example, a ratio of cash flow to fixed charges of not less than 1.15 to 1.00 is required in the current Credit Facility documents).

ServisFirst Bank very much looks forward to working with Facilities Development Group and Open Arms Care Corporation on this important project. Please feel free to contact me if you have any questions or need additional information from the Bank.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Berrell', with a long horizontal flourish extending to the right.

Bill Berrell  
Senior Vice President  
Director, Healthcare Banking

**Attachment B - Economic Feasibility - C****Historical and Projected Data Charts**



November 22, 2017

2:32 P.M.

☒ Total Facility  
☐ Project Only

## HISTORICAL DATA CHART

Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2014	Year 2015	Year 2016
A. Utilization Data ( <b>Resident Bed Days</b> )	2,872	2,896	2,910
Revenue from Services to Patients			
B.			
1. Inpatient Services	\$ 1,197,706	\$ 1,226,720	\$ 1,393,763
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) Donations	4,302		2,126
<b>Gross Operating Revenue</b>	<b>\$ 1,202,008</b>	<b>\$ 1,226,720</b>	<b>\$ 1,395,889</b>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$	\$	\$
2. Provision for Charity Care	321		20
3. Provisions for Bad Debt			
<b>Total Deductions</b>	<b>\$ 321</b>	<b>\$ 0</b>	<b>\$ 20</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 1,201,687</b>	<b>\$ 1,226,720</b>	<b>\$ 1,395,869</b>
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	637,108	644,028	681,317
b. Non-Patient Care	40,667	41,108	43,488
2. Physician's Salaries and Wages			
3. Supplies	60,409	64,107	59,804
4. Rent			
a. Paid to Affiliates		117,825	153,600
b. Paid to Non-Affiliates			
5. Management Fees:			
a. Paid to Affiliates		56,070	74,760
b. Paid to Non-Affiliates			
6. Other Operating Expenses	386,485	382,834	439,135
<b>Total Operating Expenses</b>	<b>\$ 1,124,669</b>	<b>\$ 1,305,972</b>	<b>\$ 1,452,104</b>
E. <b>Earnings Before Interest, Taxes and Depreciation</b>	<b>\$ 77,018</b>	<b>\$ -79,252</b>	<b>\$ -56,235</b>
F. Non-Operating Expenses			
1. Taxes	\$ 34,853	\$ 74,091	\$ 91,680
2. Depreciation	18,772	12,528	16,569
3. Interest	53,425		
4. Other Non-Operating Expenses			
<b>Total Non-Operating Expenses</b>	<b>\$ 107,050</b>	<b>\$ 86,619</b>	<b>\$ 108,249</b>
<b>NET INCOME (LOSS)</b>	<b>\$ -30,032</b>	<b>\$ -165,871</b>	<b>\$ -164,484</b>

Chart Continues Onto Next Page

**November 22, 2017****2:32 P.M.****NET INCOME (LOSS)**

\$ -30,032

\$ -165,871

\$ -164,484

**G. Other Deductions**

1. Annual Principal Debt Repayment

\$ 53,760

\$ 74,091

\$ 91,680

2. Annual Capital Expenditure

**Total Other Deductions** \$ 53,760

\$ 74,091

\$ 91,680

**NET BALANCE** \$ -83,792

\$ -239,962

\$ -256,164

**DEPRECIATION** \$ 34,853

\$ 74,091

\$ 91,680

**FREE CASH FLOW (Net Balance + Depreciation)** \$ -48,939

\$ -165,871

\$ -164,484

☒ Total Facility☐ Project Only**HISTORICAL DATA CHART-OTHER EXPENSES****OTHER EXPENSES CATEGORIES**

	<b>Year<sup>2014</sup></b>	<b>Year<sup>2015</sup></b>	<b>Year<sup>2016</sup></b>
1. <u>Professional Services Contract</u>	\$ 71,409	\$ 70,735	\$ 81,137
2. <u>Insurance</u>	14,374	14,238	16,332
3. <u>IT Support</u>	7,383	7,314	8,389
4. <u>Leased Equipment &amp; Vehicles</u>	18,613	18,437	21,148
5. <u>Repairs &amp; Maintenance</u>	20,534	20,340	23,331
6. <u>Provider Tax</u>	65,029	64,414	73,887
7. <u>Utilities</u>	25,000	24,764	28,406
8. <u>Transportation &amp; Travel</u>	13,745	13,616	15,618
9. <u>Communications</u>	9,036	8,951	10,267
10. <u>Miscellaneous</u>	141,362	140,025	160,620
<b>Total Other Expenses</b>	<b>\$ 386,485</b>	<b>\$ 382,834</b>	<b>\$ 439,135</b>

**PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January  
(Month).

	<u>Year 1</u>	<u>Year 2</u>
A. Utilization Data ( <b>Resident Bed Days</b> )	<u>2,910</u>	<u>2,898</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$ 1,788,661</u>	<u>\$ 1,774,764</u>
2. Outpatient Services	<u>                    </u>	<u>                    </u>
3. Emergency Services	<u>                    </u>	<u>                    </u>
4. Other Operating Revenue (Specify) <u>                                    </u>	<u>                    </u>	<u>                    </u>
<b>Gross Operating Revenue</b>	<b>\$ <u>1,788,661</u></b>	<b>\$ <u>1,774,764</u></b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$                    </u>	<u>\$                    </u>
2. Provision for Charity Care	<u>                    </u>	<u>                    </u>
3. Provisions for Bad Debt	<u>                    </u>	<u>                    </u>
<b>Total Deductions</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>
<b>NET OPERATING REVENUE</b>	<b>\$ <u>1,788,661</u></b>	<b>\$ <u>1,774,764</u></b>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>881,689</u>	<u>889,926</u>
b. Non-Patient Care	<u>43,512</u>	<u>44,037</u>
2. Physician's Salaries and Wages	<u>                    </u>	<u>                    </u>
3. Supplies	<u>60,831</u>	<u>61,500</u>
4. Rent		
a. Paid to Affiliates	<u>                    </u>	<u>                    </u>
b. Paid to Non-Affiliates	<u>244,444</u>	<u>239,112</u>
5. Management Fees:		
a. Paid to Affiliates	<u>74,760</u>	<u>74,760</u>
b. Paid to Non-Affiliates	<u>449,350</u>	<u>453,055</u>
6. Other Operating Expenses	<u>                    </u>	<u>                    </u>
<b>Total Operating Expenses</b>	<b>\$ <u>1,754,586</u></b>	<b>\$ <u>1,762,390</u></b>
E. <b>Earnings Before Interest, Taxes and Depreciation</b>	<b>\$ <u>34,075</u></b>	<b>\$ <u>12,374</u></b>
F. Non-Operating Expenses		
1. Taxes	<u>\$                    </u>	<u>\$                    </u>
2. Depreciation	<u>26,575</u>	<u>4,874</u>
3. Interest	<u>7,500</u>	<u>7,500</u>
4. Other Non-Operating Expenses	<u>                    </u>	<u>                    </u>
<b>Total Non-Operating Expenses</b>	<b>\$ <u>34,075</u></b>	<b>\$ <u>12,374</u></b>
<b>NET INCOME (LOSS)</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>

*Chart Continues Onto Next Page*

**November 22, 2017****2:32 P.M.****NET INCOME (LOSS)**

\$ 0

**G. Other Deductions**

1. Estimated Annual Principal Debt Repayment
2. Annual Capital Expenditure

\$ 26,575

\$ 4,874

**Total Other Deductions** \$ 26,575

\$ 4,874

**NET BALANCE** \$ (26,575)

\$ (4,874)

**DEPRECIATION** \$ 26,575

\$ 4,874

**FREE CASH FLOW (Net Balance + Depreciation)** \$ 0

\$ 0

☒ Total Facility☐ Project Only**PROJECTED DATA CHART-OTHER EXPENSES****OTHER EXPENSES CATEGORIES**

1. Professional Services Contract
2. Insurance
3. IT Support
4. Leased Equipment & Vehicles
5. Repairs & Maintenance
6. Provider Tax
7. Utilities
8. Transportation & Travel
9. Communications
10. Miscellaneous

**Year 1****Year 2**

\$ 83,025

\$ 83,709

16,712

16,850

8,584

8,655

21,640

21,819

23,874

24,071

75,606

76,229

29,067

29,306

15,981

16,113

10,506

10,592

164,355

165,712

**Total Other Expenses**

\$ 449,350

\$ 453,056

**Attachment B - Economic Feasibility - F1****Balance Sheet, Income Statement and Audited Financial Statement**

Open Arms Care Corporation  
Summary of All Units  
BALANCE SHEET  
Saturday, September 30, 2017

10/10/2017

**ASSETS****CURRENT ASSETS:**

	<u>@YTD</u>	<u>12/31/2016</u>
Cash	\$2,454,619.97	\$1,006,928.13
ServisFirst-General	2,012,934.56	2,009,860.67
Client Funds	353,022.12	353,022.12
Cash in Escrow	4,000.00	4,000.00
Accounts Receivable-Patient	4,916,017.43	3,858,584.93
Accounts Receivable-Other	21,591.58	45,474.28
Accounts Receivable-OAHS	410.57	0.00
Allowance for Doubtful Accounts	(89,166.06)	(89,166.06)
Prepaid Expense	88,481.72	48,226.14
<b>Total Current Assets</b>	<b>9,761,911.89</b>	<b>7,236,930.21</b>

**Property & Equipment:**

PP&E Clearing	12,995.40	0.00
PP&E Clearing (WCO)	67,679.57	211,791.44
Buildings & Improvements	14,916.28	14,916.28
Lease Improvements	21,772.00	21,772.00
Furniture & Equipment	275,737.75	0.00
Vehicles	52,226.28	52,226.28
Less Accumulated Depreciation	(88,898.99)	(59,904.33)
<b>Net Property &amp; Equipment</b>	<b>356,428.29</b>	<b>240,801.67</b>

Net Preopening Costs	1,019,783.81	109,593.56
Deposits	49,800.00	49,475.00
Note Receivable	1,914,894.96	1,914,894.96
Investment in OAHS	125,100.00	125,100.00
Other Non Current Assets	14,360.00	14,360.00

<b>Total Assets</b>	<b>\$13,242,278.95</b>	<b>\$9,691,155.40</b>
---------------------	------------------------	-----------------------

**Liabilities & Fund Balance****Current Liabilities**

Accounts Payable	314,182.80	473,060.21
Client Funds	353,022.12	353,022.12
Employee Withholdings	9,913.09	13,111.46
Accrued Salaries & Payroll Taxes	998,552.98	404,104.84
Accrued Vacation	451,574.60	451,574.60
Accrued Expenses	591,418.27	425,394.57
Accrued Interest	26,666.67	20,000.00
Accrued Rent	2,981,494.61	3,201,369.16
Accrued Rent - Add'l	262,438.86	195,041.11
Deferred Rent	7,714.00	7,714.00
Due to Management Company	70,491.35	38,463.79
<b>Total Current Liabilities</b>	<b>6,067,469.35</b>	<b>5,582,855.86</b>

Deferred Gain	3,460,331.30	3,460,331.30
Deferred Gain - Closing Costs	(467,312.80)	(467,312.80)
Note Payable-Integra	3,000,000.00	2,000,000.00
<b>Total Liabilities</b>	<b>\$12,060,487.85</b>	<b>\$10,575,874.36</b>

**Fund Balance**

Beginning Fund Balance	(884,718.96)	(1,324,364.17)
Net Surplus (Deficit)	2,066,510.06	439,645.21
<b>Total Fund Balance</b>	<b>1,181,791.10</b>	<b>(884,718.96)</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$13,242,278.95</b>	<b>\$9,691,155.40</b>

UNAUDITED



Open Arms Care Corporation  
Summary of All Units

10/10/2017

For the Nine Months Ending Saturday, September 30, 2017  
Trended Income Statement

	June	July	August	September	YTD
	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET
REVENUE					
Medicaid	\$4,336,181	\$4,712,242	\$4,649,760	\$4,467,901	\$37,157,163
Resident Liability	135,180	137,803	139,529	128,987	1,070,825
Investment Income	343	445	342	300	3,074
Gain/Loss-Asset Disposal		500	300		800
Contract Income					9,900
Donations	70		3,053	51	5,062
In Kind Donations					2,400
United Way Designations	26				26
Support from OACF					10,314
Total Revenue	4,471,800	4,850,990	4,792,984	4,467,901	38,259,564
					36,723,673
					1,535,891

Capacity	284	292	292	0	276	0
Occupied Beds	284	288	288	0	273	0
Occupancy %	100.0%	98.6%	98.6%	0.0%	98.9%	0.0%
Lost Revenue Days	(5)	121	114	77	911	(911)

WAGES

Salary Wages	299,391	263,839	321,679	350,428	2,609,887	3,006,568
Regular Hourly Wages	1,393,477	1,443,560	1,517,445	1,656,168	12,208,282	13,474,305
Overtime Wages	265,718	215,368	232,531	48,229	1,686,073	356,535
Sick Wages	28,362	19,624	34,736	24,864	257,762	224,230
Incentive/Bonus Wages	5,587	1,580	3,484	675	37,416	8,175
Holiday Wages	6,824	81,495	11,974	68,564	384,861	(29,241)
Vacation Wages	68,193	80,995	84,557	92,757	586,001	325,974
Training Wages	3,538	2,053	3,513	3,083	28,627	716,029
Temporary Labor Services	41,424	41,917	34,041	55,678	27,747	(880)
Payroll Taxes	151,832	165,313	161,672	166,985	1,321,853	(275,594)
TOTAL	2,264,346	2,315,744	2,405,632	2,411,753	19,396,356	19,495,306
						98,950

EMPLOYEE BENEFITS

Medical/Hospital Benefits	264,378	306,288	321,208	369,127	2,614,440	3,014,137
Dental Insurance Benefits	2,449	6,890	7,490	6,401	54,993	57,609
Life Ins AD&D Benefits	8,833	11,544	11,848	14,374	96,611	129,366
403B Contributions	18,200	12,061	11,789	11,731	110,147	105,590
Workers Compensation	49,926	36,243	35,976	61,485	390,386	498,998
Staff Education-Tuition Reimb		730	766	2,113	11,327	21,017
Other Benefits	(799)	717	1,177	317	3,586	(733)
TOTAL	342,987	374,473	390,264	465,548	3,281,490	3,829,570
						548,080

OPERATING EXPENSE

Awards & Incentives	7,150	(1,164)	3,613	13,002	70,560	48,336
Bank Charges			18	102	606	918
Client Lodging				80	720	
Community Awareness	1,155	(616)	189	462	4,774	2,778
						(1,996)

UNAUDITED



Open Arms Care Corporation  
Summary of All Units

10/10/2017

For the Nine Months Ending Saturday, September 30, 2017  
Trended Income Statement

	June	July	August	September	YTD	Var
	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET	
Consult/Contract-Ambulance	367	(7)	921	900	1,305	2,700
Consult/Contract-Audiology	205		1,122	380	2,721	2,091
Consult/Contract-Dental	38,428	18,999	26,509	36,852	226,295	270,616
Consult/Contract-Dietary	3,555	5,124	6,883	6,025	56,776	54,286
Consult/Contract-O.T.	10,482	10,875	7,736	7,887	86,344	97,921
Consult/Contract-P.T.	3,539	7,495	7,961	6,713	47,338	49,250
Consult/Contract-Psychiatry	1,925	2,300	2,375	2,000	19,100	21,750
Consult/Contract-Psychology	305	3,910	1,215	6,136	18,742	39,757
Consult/Contract-Social Services	4,423	5,119	3,875	5,177	34,698	46,944
Consult/Contract-Speech	6,203	10,447	6,909	7,711	69,181	67,742
Consult/Contract-IT			8	125	536	1,125
Consult/Contract-Lab Fees		393		232	(841)	1,698
Consult/Contract-Hotline		289			578	825
Consult/Contract-Other		599	(426)	21	507	189
Consult/Contract-Pharmacy	772	1,804	667	2,892	10,181	16,981
Consult/Contract-Physicians	27,579	26,250	25,992	22,084	207,031	177,532
Consult/Contract-RN	3,364	100	1,600	3,177	14,472	14,408
Consult/Contract-Vision	40	9,816	821	914	17,456	7,026
Directors' Fees & Expenses					807	3,000
Dues & Subscriptions	2,792	2,371	11,594	4,314	50,469	33,288
Equipment-Non Capital	18,904	11,256	11,782	15,582	136,973	131,993
Improvements-Non-Capital		3,526		4,565	9,231	48,061
Insurance	44,871	47,121	47,121	49,169	390,673	419,178
Interest-Operating	27,387	26,401	26,889	25,589	207,343	205,344
IT Support - PC/Laptop Support	10,018	9,989	8,585	13,168	86,685	100,091
IT Support - Network/Server	17,077	17,220	21,302	17,548	157,417	155,482
IT Support - Minor Equipment	1,438		1,154	3,455	7,530	19,732
IT Support - Special Projects	3,500			2,156	10,543	18,543
IT Support - Other					2,400	8,000
Janitorial Services	5,768	12,168	7,235	12,562	65,205	87,987
Late Fees/ Finance Charges	105	441	191		2,277	22,762
Leased Building & Storage	37,213	37,059	37,549	36,819	337,266	334,467
Leased Equipment	12,116	12,632	15,096	12,260	119,183	108,130
Leased Transportation Vehicles	52,410	55,536	55,091	53,848	418,150	423,687
Maintenance & Repair-Building	14,181	14,227	12,904	16,784	100,886	148,041
Service Contract-Building		1,888			6,536	47,155
Maintenance & Repair-Equip	6,427	9,958	6,566	8,763	68,188	5,665
Service Contract-Equipment	814	3,400	5,484		74,872	6,684
Maintenance & Repair-Grounds	14,523	10,239	12,719	11,958	45,158	2,160
Service Contract-Grounds					102,355	97,100
Maintenance & Repair-Vehicles	16,571	5,802	9,812	8,275	80,652	2,400
Medical Equipment	3,353	2,208	564	4,638	27,638	67,928
Meetings	3,427	3,396	4,097	3,973	27,442	27,442
Miscellaneous Expense		(9)			31,805	33,405
Miscellaneous - Unallowable			20		(9)	9
Network Expense	10,932	10,091	10,836	9,206	8,130	(8,130)
Payroll Expenses	24,785	19,080	19,279	17,866	94,511	(12,912)
					176,416	165,861

UNAUDITED

Open Arms Care Corporation  
Summary of All Units

10/10/2017

Trended Income Statement  
For the Nine Months Ending Saturday, September 30, 2017

	June	July	August	September	YTD	
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	Var
Pest Control	2,060	2,766	2,125	2,201	21,560	24,134
Postage and Courier Services	1,189	1,679	1,532	1,707	13,216	15,114
Printing	1,201	516	588	365	5,953	3,860
Professional Fees-Audit			8,000		29,405	30,000
Professional Fees-Legal			4,060		19,939	49,650
Professional Fees-Other	36,125	16,981	36,900	5,417	203,850	27,953
Recreation - Clients	12,019	3,046	8,272	9,851	52,621	86,779
Security Services	387	135	65	97	3,154	8,961
Staff Education, Seminars	1,467	(322)	295	1,564	18,543	19,059
Staff Recruitment-Advertising	2,212	(701)	936	1,664	8,094	9,935
Staff Recruitment-PreEmploy	13,660	7,801	8,069	1,198	70,134	46,152
Staff Training Materials	1,945	596	3,478	5,128	18,528	18,505
Supplies-Cleaning and Laundry	9,728	8,796	11,114	2,045	84,700	89,624
Supplies-Client	7,957	7,569	7,295	10,494	61,709	64,894
Supplies-Clothing	973	2,542	1,390	7,576	11,419	9,733
Supplies-Food	78,485	77,355	82,019	1,118	676,627	680,845
Supplies-Food Supplements	3,856	6,450	2,904	80,068	48,644	56,440
Supplies-Non-food	6,544	7,354	8,367	6,996	55,017	55,777
Supplies-Medical	26,761	40,455	34,945	6,485	273,361	234,734
Supplies-Office	5,764	5,679	5,293	28,171	56,206	52,542
Supplies-Pharmacy-OTC	6,148	4,462	5,375	6,194	38,916	39,739
Supplies-Pharmacy-Rx	8,615	38,909	13,084	4,781	118,338	84,081
Supplies-Program	5,578	3,420	6,819	9,854	43,619	46,718
Supplies-Resident Decor/Linens	2,017	2,064	1,396	1,277	14,966	16,813
Taxes & Licenses-Business	100	100	3,270	1,982	28,620	49,218
Taxes & Licenses-Other	400			522	1,650	2,058
Taxes & Licenses-Provider	245,098	235,241	269,302	167	2,044,381	242,478
Taxes & Licenses-Transport	145	245	9	352	2,016,948	27,433
Telephone-Cell Phones	6,830	6,664	8,508	352	1,667	4,976
Telephone-Regular & Pagers	9,021	9,160	9,514	5,910	63,415	48,530
Telephone-Long Distance	329	211	315	7,854	82,551	65,540
Transportation-Gas, Oil, Detail	13,579	12,847	16,172	308	2,975	2,772
Travel-Airfare	505			17,079	120,577	135,539
Travel-Lodging	4,063	5,704	2,819	50	505	3,125
Travel-Meals & Entertainment	1,192	1,894	798	3,225	35,756	28,745
Travel-Mileage	9,261	7,077	9,730	956	10,049	10,405
Travel-Parking, Tolls, Auto	44	47	136	5,396	62,283	47,827
Utilities-Cable	5,317	4,651	5,038	182	339	1,568
Utilities-Electric	36,789	43,113	45,863	4,373	39,525	36,074
Utilities-Gas	956	862	1,007	43,082	352,863	382,726
Utilities-Propane				2,454	15,316	22,282
Utilities-Septic	1,100			2,961	1,711	16,224
Utilities-Water & Sewer	12,059	13,905	14,675	1,100	9,900	9,900
Integra - Cost of Operations	38,960	37,244	35,476	12,350	113,447	110,572
Integra - Management Fee	231,702	240,865	240,865	44,276	351,398	384,655
TOTAL	1,290,245	1,281,270	1,340,931	240,868	1,982,778	1,979,520
			1,310,046		10,908,680	11,095,219
						186,539

UNAUDITED

**Open Arms Care Corporation**  
**Summary of All Units**

10/10/2017

**Trended Income Statement**  
**For the Nine Months Ending Saturday, September 30, 2017**

	June ACTUAL	July ACTUAL	August ACTUAL	ACTUAL	September BUDGET	Var	ACTUAL	YTD BUDGET	Var
<b>ALLOCATIONS</b>									
Day Services					14,796	14,796		67,080	67,080
Support Office Services					9,243	9,243		41,920	41,920
Central Support Services					4,438	4,440		20,137	20,137
TOTAL			2	(2)	28,477	28,479		129,137	129,137
<b>TOTAL OPERATING EXPENSE</b>	<b>3,897,578</b>	<b>3,971,487</b>	<b>4,136,819</b>	<b>4,139,229</b>	<b>4,215,824</b>	<b>76,595</b>	<b>33,586,526</b>	<b>34,549,232</b>	<b>962,706</b>
<b>OPERATING MARGIN</b>	<b>574,222</b>	<b>879,503</b>	<b>656,165</b>	<b>532,586</b>	<b>252,077</b>	<b>280,509</b>	<b>4,673,038</b>	<b>2,174,441</b>	<b>2,498,597</b>
<b>CAPITAL</b>									
Depreciation	729	729	729	23,163	733	(22,430)	28,995	6,597	(22,398)
Rent Expense	205,506	297,173	297,173	344,695	286,819	(57,876)	2,389,166	2,372,724	(16,442)
Rent Expense (add'l)	18,725	18,725	18,725	18,725	21,176	2,451	188,371	176,640	(11,731)
TOTAL	224,960	316,627	316,627	386,583	308,728	(77,855)	2,606,532	2,555,961	(50,571)
<b>Net Surplus/(Deficit)</b>	<b>\$349,262</b>	<b>\$562,876</b>	<b>\$339,538</b>	<b>\$146,003</b>	<b>(\$56,651)</b>	<b>\$202,654</b>	<b>\$2,066,506</b>	<b>(\$381,520)</b>	<b>\$2,448,026</b>



**OPEN ARMS CARE CORPORATION INC.,  
AND AFFILIATES**

**Consolidated Financial Statements**

**December 31, 2016 and 2015**

**(With Independent Auditors' Report Thereon)**

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## **INDEPENDENT AUDITORS' REPORT**

**The Board of Directors of  
Open Arms Care Corporation Inc., and Affiliates:**

### **Report on the Consolidated Financial Statements**

**We have audited the accompanying consolidated balance sheets of Open Arms Care Corporation Inc., and Affiliates (collectively the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.**

### ***Management's Responsibility for the Consolidated Financial Statements***

**Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.**

### ***Auditors' Responsibility***

**Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.**

**An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.**

**We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.**

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Arms Care Corporation Inc., and Affiliates as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Consolidating Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 14-15 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

LBMCP

Brentwood, Tennessee  
February 23, 2017



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OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Balance Sheets

December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,398,645	\$ 3,549,844
Funds held in custody for others	353,022	408,915
Patient accounts receivable, less allowance for doubtful accounts of approximately \$89,000 in 2016 and 2015	3,814,893	3,335,673
Prepaid expenses and other current assets	<u>264,017</u>	<u>114,277</u>
Total current assets	<u>7,830,577</u>	<u>7,408,709</u>
 Property and equipment, net	 <u>29,010</u>	 <u>13,305</u>
 <b>Other Assets:</b>		
Other long-term assets	173,429	44,360
Notes receivable	<u>1,914,895</u>	<u>1,914,895</u>
Total other assets	<u>2,088,324</u>	<u>1,959,255</u>
Total assets	<u>\$ 9,947,911</u>	<u>\$ 9,381,269</u>

Liabilities and Net Assets (Deficit)

<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 954,990	\$ 731,906
Funds held in custody for others	353,022	408,915
Accrued rent expense	3,396,412	2,131,415
Accrued salaries and benefits	868,776	710,118
Accrued interest	<u>20,000</u>	<u>20,000</u>
Total current liabilities	5,593,200	4,002,354
 Long-term debt	 2,000,000	 2,000,000
Deferred gain on sale-leaseback transaction	<u>2,993,018</u>	<u>4,490,938</u>
Total liabilities	10,586,218	10,493,292
 Net deficit	 <u>(638,307)</u>	 <u>(1,112,023)</u>
Total liabilities and net deficit	<u>\$ 9,947,911</u>	<u>\$ 9,381,269</u>

See accompanying notes to the consolidated financial statements.

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OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets (Deficit)

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted revenues:		
Net patient service revenues	\$ 43,216,565	\$ 39,099,602
Investment income	21,469	45,024
Net special events revenue	24,386	24,299
Other revenues	<u>53,019</u>	<u>134,621</u>
Total unrestricted revenues	<u>43,315,439</u>	<u>39,303,546</u>
Expenses:		
Salaries and wages	23,047,918	22,436,496
Employee benefits	4,242,309	4,161,858
Professional services	1,582,597	1,810,130
Supplies	4,630,525	4,651,741
Maintenance and repairs	587,440	603,660
Utilities	686,144	679,885
Insurance	522,538	520,503
Depreciation and amortization	6,067	418,026
Interest expense	240,818	403,840
Gain on disposal of property and equipment	(5,575)	(7,330)
Taxes and licenses	2,438,084	2,270,324
Provision for doubtful accounts	40	333
Rent	3,481,279	2,724,706
Amortization of deferred gain	(1,497,920)	(1,274,622)
Management fee and related costs of operations	<u>2,879,459</u>	<u>2,190,610</u>
Total expenses	<u>42,841,723</u>	<u>41,590,160</u>
Excess of revenues over expenses (expenses over revenues)	473,716	(2,286,614)
Net assets (deficit) at beginning of year	<u>(1,112,023)</u>	<u>1,174,591</u>
Net deficit at end of year	<u>\$ (638,307)</u>	<u>\$ (1,112,023)</u>

See accompanying notes to the consolidated financial statements.

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OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Excess of revenues over expenses (expenses over revenues)	\$ 473,716	\$ (2,286,614)
Adjustments to reconcile excess revenues over expenses (expenses over revenues) to net cash used by operating activities:		
Net losses on investments and trustee funds	-	10,785
Depreciation and amortization	6,067	418,026
Provision for doubtful accounts	40	333
Gain on disposal of property and equipment	(5,575)	(7,330)
Amortization of deferred gain	(1,497,920)	(1,274,622)
(Increase) decrease in operating assets:		
Patient accounts receivable	(479,260)	125,367
Prepaid expenses and other current assets	(149,740)	(63,620)
Other assets	(129,069)	(15,185)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	223,084	40,938
Accrued rent expense	1,264,997	2,131,415
Accrued salaries and benefits	158,658	(73,469)
Accrued interest	-	(214,698)
Net cash used by operating activities	<u>(135,002)</u>	<u>(1,208,674)</u>
Cash flows from investing activities:		
Proceeds from the sale of investments and trustee funds, net	-	1,791,252
Proceeds from the sale of property and equipment	5,575	7,741
Purchase of property and equipment	<u>(21,772)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(16,197)</u>	<u>1,798,993</u>
Cash flows from financing activities:		
Proceeds from long-term debt	-	2,000,000
Principal payments of long-term debt	-	(25,683)
Cash paid for transaction costs related to sale-leaseback transaction	<u>-</u>	<u>(391,726)</u>
Net cash provided by financing activities	<u>-</u>	<u>1,582,591</u>
Increase (decrease) in cash and cash equivalents	(151,199)	2,172,910
Cash and cash equivalents at beginning of year	<u>3,549,844</u>	<u>1,376,934</u>
Cash and cash equivalents at end of year	\$ <u>3,398,645</u>	\$ <u>3,549,844</u>
Supplemental disclosure of cash flow information -		
Cash paid for interest	\$ <u>240,818</u>	\$ <u>618,538</u>
Noncash activity related to sale-leaseback transaction:		
Issuance of note receivable	\$ -	\$ (1,914,895)
Decrease in trustee funds	-	2,625,141
Proceeds from sale of property and equipment	-	11,514,298
Repayment of long-term debt	-	(11,716,068)
Transaction costs	<u>-</u>	<u>(508,476)</u>
	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to the consolidated financial statements.

92  
OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2016 and 2015

(1) Organization

The accompanying consolidated financial statements of Open Arms Care Corporation Inc., and Affiliates (collectively the "Company") include the transactions and accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation ("Foundation"), and Open Arms Health System, LLC ("Clinic").

Open Arms Care Corporation, Inc. operates intermediate care facilities for persons with intellectual and developmental disabilities. The facilities are located in Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. In 2005, the Foundation was formed to support non-Medicaid allowable expenses and capital projects through charitable donations for the benefit of the Open Arms Care Corporation, Inc.'s clients. In 2013, Open Arms Health System, LLC ("OAHS") was formed to provide routine clinic services to the clients and employees of Open Arms Care Corporation, Inc. In 2016, the Company executed leases for nine new homes which are due to be put into operation in 2017. The rent amounts for the nine new homes are subject to final construction costs and the associated annual debt service payable by the landlord.

(2) Summary of significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation, Inc., and Open Arms Care Health Services, LLC. All significant intercompany accounts and transactions have been eliminated.

(b) Cash and cash equivalents

The Company considers cash and highly liquid investments having a maturity date at acquisition of 90 days or less to be cash and cash equivalents.

(c) Property and equipment

Property and equipment are stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Buildings and improvements are generally depreciated over ten to twenty five years and vehicles over three to five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(d) Deferred gain on sale-leaseback

The deferred gain is being amortized over the life of the leases as discussed at Note 13.

# OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

## Supplemental Schedule - Consolidating Balance Sheet

December 31, 2016

	Chattanooga	Greenville	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Current Assets:											
Cash and cash equivalents	\$ 4,000	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ 2,997,789	\$ 3,016,789	\$ 89,622	\$ 3,106,411	\$ 292,234	\$ 3,398,645
Funds held in custody for others	95,559	-	54,792	47,478	155,193	-	353,022	-	353,022	-	353,022
Patient accounts receivable, net	959,233	522	962,739	1,014,733	845,420	32,246	3,814,893	-	3,814,893	-	3,814,893
Prepaid expenses and other current assets	53,403	800	47,737	4,383	8,938	148,756	264,017	-	264,017	-	264,017
Total current assets	1,112,195	1,322	1,070,268	1,071,594	1,014,551	3,178,791	7,448,721	89,622	7,538,343	292,234	7,830,577
Property and equipment, net	-	-	6,566	5,245	17,199	-	29,010	-	29,010	-	29,010
Other assets:											
Other long-term assets	15,151	100,863	38,880	14,360	3,675	500	173,429	-	173,429	-	173,429
Notes receivable - noncurrent portion	-	-	-	-	-	1,914,895	1,914,895	-	1,914,895	-	1,914,895
Total other assets	15,151	100,863	38,880	14,360	3,675	1,915,395	2,088,324	-	2,088,324	-	2,088,324
Total assets	\$ 1,127,346	\$ 102,185	\$ 1,115,714	\$ 1,091,199	\$ 1,035,425	\$ 5,094,186	\$ 9,566,055	\$ 89,622	\$ 9,655,677	\$ 292,234	\$ 9,947,911
Current liabilities:											
Accounts payable and accrued expenses	\$ 177,676	\$ 303	\$ 229,639	\$ 187,037	\$ 207,579	\$ 142,410	\$ 944,644	\$ -	\$ 944,644	\$ 10,346	\$ 954,990
Funds held in custody for others	95,559	-	54,792	47,478	155,193	-	353,022	-	353,022	-	353,022
Accrued rent expense	584,614	-	877,288	1,225,045	709,465	-	3,396,412	-	3,396,412	-	3,396,412
Accrued salaries and benefits	249,582	-	209,177	202,015	205,803	2,199	868,776	-	868,776	-	868,776
Accrued interest	-	-	-	-	-	20,000	20,000	-	20,000	-	20,000
Total current liabilities	1,107,431	303	1,370,896	1,661,575	1,278,040	164,609	5,582,854	-	5,582,854	10,346	5,593,200
Intercompany payable/(receivable)	(1,910,245)	101,882	119,243	(443,077)	(1,149,684)	3,281,881	-	-	-	-	-
Long-term debt	-	-	-	-	-	2,000,000	2,000,000	-	2,000,000	-	2,000,000
Deferred gain on leaseback	-	-	-	-	-	2,993,018	2,993,018	-	2,993,018	-	2,993,018
Total liabilities	(802,814)	102,185	1,490,139	1,218,498	128,356	8,439,508	10,575,872	-	10,575,872	10,346	10,586,218
Net assets (deficit), unrestricted	1,930,160	-	(374,425)	(127,299)	907,069	(3,345,322)	(1,009,817)	89,622	(920,195)	281,888	(638,307)
Total liabilities and net assets (deficit)	\$ 1,127,346	\$ 102,185	\$ 1,115,714	\$ 1,091,199	\$ 1,035,425	\$ 5,094,186	\$ 9,566,055	\$ 89,622	\$ 9,655,677	\$ 292,234	\$ 9,947,911

See accompanying independent auditors' report

# OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

## Supplemental Schedule - Consolidating Statement of Operations and Changes in Net Assets (Deficit)

For the year ended December 31, 2016

	Chattanooga	Greenville	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Unrestricted revenue:											
Net patient services revenue	\$ 11,139,083	\$ -	\$ 10,990,565	\$ 11,150,105	\$ 9,936,812	\$ -	\$ 43,216,565	\$ -	\$ 43,216,565	\$ -	\$ 43,216,565
Net special events revenue	-	-	-	-	-	21,469	21,469	-	21,469	-	21,469
Intercompany revenue	3,000	-	11,872	17,003	12,941	-	44,816	-	44,816	(44,816)	24,386
Other revenues	1,151	-	-	-	1,809	37	2,997	-	2,997	50,022	53,019
Total unrestricted revenues	11,143,234	-	11,002,437	11,167,108	9,951,562	21,506	43,285,847	-	43,285,847	29,592	43,315,439
Expenses:											
Salaries and wages	5,972,078	-	5,993,067	5,749,542	5,223,020	170,211	23,047,918	-	23,047,918	-	23,047,918
Employee benefits	1,189,849	-	1,150,693	966,826	919,733	15,208	4,242,309	-	4,242,309	-	4,242,309
Professional services	205,002	-	304,802	585,549	271,109	215,085	1,581,547	-	1,581,547	1,050	1,582,597
Supplies	1,087,170	-	1,089,807	1,072,219	1,075,149	312,303	4,636,648	-	4,636,648	(6,123)	4,630,525
Maintenance and repairs	134,356	-	179,645	136,337	186,271	831	587,440	-	587,440	-	587,440
Utilities	183,388	-	159,503	153,809	188,945	499	686,144	-	686,144	-	686,144
Insurance	123,613	-	128,085	118,064	122,202	30,574	522,538	-	522,538	-	522,538
Depreciation and amortization	-	-	827	667	4,573	-	6,067	-	6,067	-	6,067
Interest expense	114	-	229	419	56	240,000	240,818	-	240,818	-	240,818
Gain on disposal of property and equipment	-	-	(4,875)	(700)	-	-	(5,575)	-	(5,575)	-	(5,575)
Taxes and licenses	621,507	-	612,592	618,385	557,150	27,854	2,437,488	410	2,437,898	186	2,438,084
Provisions for doubtful accounts	-	-	-	20	20	-	40	-	40	-	40
Management fee and related costs of operations	640,474	-	869,907	1,228,799	742,099	-	3,481,279	-	3,481,279	-	3,481,279
Amortization of deferred gain	684,331	-	684,948	739,094	771,086	-	2,879,459	-	2,879,459	-	2,879,459
Intercompany expense	247,767	-	247,762	247,767	247,765	(1,497,920)	(1,497,920)	-	(1,497,920)	-	(1,497,920)
Total expenses	11,089,649	-	11,356,992	11,616,797	10,259,178	(1,476,416)	42,846,200	410	42,846,610	(4,887)	42,841,723
Increase (decrease) in net assets (deficit)	53,585	-	(354,555)	(449,689)	(307,616)	1,497,922	439,647	(410)	439,237	34,479	473,716
Net assets (deficit) at beginning of year	1,876,575	-	(19,870)	322,390	1,214,685	(4,843,244)	(1,449,464)	90,032	(1,359,432)	247,409	(1,112,023)
Net assets (deficit) at end of year	\$ 1,930,160	\$ -	\$ (374,425)	\$ (127,299)	\$ 907,069	\$ (3,345,322)	\$ (1,009,817)	\$ 89,622	\$ (920,195)	\$ 281,888	\$ (638,307)

See accompanying independent auditors' report

**Attachment B - Contribution to the Orderly Development of Health Care - D2**

**Statement of Deficiencies**



Department of  
Intellectual &  
Developmental Disabilities

Office of Risk  
Management & Licensure

Vicki Cox  
Open Arms Care Corporation  
P. O. Box 341185  
Memphis, TN 38134

Ms. Cox:

Enclosed with this letter you will find a Licensure Notice of Non-Compliance and Plan of Compliance form. This form describes the results and findings of the unannounced inspection of your facilities. The unannounced inspection was conducted by this office on 9/12-15 2017, to determine your compliance with standards for licensure of the Tennessee Department of Intellectual and Developmental Disabilities.

Once you have read the Licensure Notice of Non-Compliance and plan of Compliance Form and have written your plan(s) of correction, the form must be signed, dated and returned to the West Tennessee Regional Office of Licensure and Review no later than **October 7, 2017**


If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Gale Carter". The signature is fluid and cursive, with a horizontal line extending from the end.

Gale Carter,  
West TN Licensure Coordinator



 <p>LICENSURE NOTICE OF NON-COMPLIANCE AND PLAN OF COMPLIANCE FORM STATE OF TENNESSEE DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL DISABILITIES NAME AND ADDRESS OF DIDD LICENSURE OFFICE SENDING NOTICE: DIDD Licensure Office (WEST) 225 Dr. Martin Luther King Drive 4<sup>th</sup> Floor, Tower B Jackson, TN 38301</p>		Page 1	NOTICE OF NON-COMPLIANCE TO: (Licensee's Name & Address)	
		Date of notice 9/25/2017	Open Arms Care Corporation 5120 Yale Rd. Memphis TN 38134	
		EVENT & DATE RESULTING IN NOTICE: 9/15/2017	NAME AND LOCATION OF FACILITY IN NON-COMPLIANCE	
		YOUR PLAN OF COMPLIANCE MUST BE RETURNED NO LATER THAN: <b>10/7/2017</b>		

(Do Not Write in Space Below)

Policy	SUMMARY OF THE FINDINGS OF NON-COMPLIANCE WITH THE RULES REFERENCED	P.O.C. Review Code*	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	Date of Completion
0465-02-05-03	<p>Maintain in safe manner-</p> <p>1. 4240 Raleigh Millington Rd-During a fire drill door on left-(bedroom) did not close.</p> <p>2. Leak in the boiler room-around the elbow.</p> <p>3. Strip on cabinet door needs replacing.</p> <p>4254- Raleigh Millington-</p> <p>1. Cabinets drawer in kitchen had no knobs.</p> <p>2. Bath mat needs replacing-(1) bedroom-on the right.</p> <p>3. During the fire drill bedroom (2) door did not close completely.</p> <p>4. Microwave needs cleaning.</p> <p>5. Sink in kitchen need a water regulator.</p> <p>4695 Allendale Drive</p> <p>1. Baseboard in WO room-molded.</p>		<p>0465-02-05-03</p> <p>Correction: All issues cited will be corrected by 10/06/17.</p> <p>Identification: No other issues regarding fire safety doors, water leaks, cabinetry, appliances, baseboards or bath mats were noted at any location.</p> <p>Preventative Measures: Environmental Checks will be performed at all locations monthly to ensure compliance with Licensure regulations.</p> <p>Monitoring: The Home Manager (HM) will monitor the site weekly. Should there be any noted issues, requests for maintenance will be documented for immediate correction.</p>	10/06/17

SIGNATURE OF DIDD REVIEWER OF P.O.C. Gale Carter, West Licensure Coordinator Josh Fowlkes, Facility Surveyor		DATE OF REVIEW: 9/7/2017	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: <i>Vicki Cox</i>	DATE OF SIGNATURE: 10/06/17
--	--	-----------------------------	--	--------------------------------

\*P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.) A=Approved.

AE=Approved With Exception.

RR=Rejected-Resubmit.

RS=Rejected-Sanction.

<b>LICENSURE NOTICE OF NON-COMPLIANCE AND PLAN OF COMPLIANCE FORM</b> (Continuation Page)	DATE OF NOTICE:	NOTICE OF NON-COMPLIANCE TO: (Licensee's Name)
	Page <u>2</u> of <u>2</u> Page(s)	NAME OF FACILITY IN NON-COMPLIANCE:

(Do Not Write in Space Below)		
Policy	SUMMARY OF THE FINDINGS OF NON-COMPLIANCE WITH THE RULES REFERENCED	P.O.C. Review Code* DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE Date of Completion
0465-02-05-03	<p>4707-Allendale Dr.</p> <ol style="list-style-type: none"> <li>Cracked wall socket.</li> </ol> <p>1457 Greendale Ave-</p> <ol style="list-style-type: none"> <li>Cable line hanging outside.</li> <li>Shower rod needs replacing-rusted</li> <li>Storage room door need a handle</li> <li>Emergency light not attached to wall</li> </ol> <p>5330 Bengestown Rd. *5350</p> <ol style="list-style-type: none"> <li>Ants crawling in bathroom sink.</li> <li>Shower curtain needs replacing.</li> <li>Lawn needs mowing</li> </ol> <p>5170 Yale Road-</p> <ol style="list-style-type: none"> <li>Blinds needs replacing in social area.</li> <li>Light bulb out in the attic.</li> <li>Panel off of the hot water tank in the attic.</li> <li>Refrigerator need cleaning in the kitchen area (on the outside of the refrigerator).</li> </ol>	<p>0465-02-05-03</p> <p>Correction: All issues cited will be corrected by 10/6/17.</p> <p>Identification: No other issues regarding wall sockets, emergency lights, shower rods, doors, insects, lawn care, blinds or appliances were noted at any location.</p> <p>Preventative Measures: Environmental Checks will be performed at all locations monthly to ensure compliance with Licensure regulations.</p> <p>Monitoring: The Home Manager (HM) will monitor the site weekly. Should there be any noted issues, requests for maintenance will be documented for immediate correction.</p> <p>10/06/17</p>

SIGNATURE OF DIDD REVIEWER OF P.O.C. <i>Gale Carter</i> DATE OF REVIEW 9/12-15/2017	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: <i>Vicki Cox</i> DATE OF SIGNATURE: 10/06/17
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\*P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.)  
 A = Approved.  
 AE = Approved With Exception.  
 RR = Rejected-Resubmit.  
 RS = Rejected-Sanction.



Department of  
**Intellectual &  
Developmental Disabilities**

Office of Risk  
Management & Licensure

October 25, 2017

Ms. Vicki Cox  
Open Arms Care Corporation  
P. O. Box 341185  
Memphis, TN 38184

Dear Ms. Cox:

Attached are Full Licenses issued to Open Arms Care Corporation to operate facilities/services at the addresses listed herein. These licenses are effective September 01, 2017 and will expire on August 31, 2018. This Full License indicates that this facility/service has been found to be in full compliance with applicable Licensure rules.

**Allendale Drive Home 1 - Memphis at 4695 Allendale Drive, Memphis, TN 38128**

Attached: L000000016965 - ID & DD Institutional Habilitation Facility, Capacity: 8

**Allendale Drive Home 2 - Memphis at 4707 Allendale Drive, Memphis, TN 38128**

Attached: L000000016966 - ID & DD Institutional Habilitation Facility, Capacity: 8

**Benjestown Home 1 - Memphis at 5350 Benjestown Road, Memphis, TN 38127**

Attached: L000000016967 - ID & DD Institutional Habilitation Facility, Capacity: 8

**Benjestown Home 2 - Memphis at 5380 Benjestown Road, Memphis, TN 38127**

Attached: L000000016968 - ID & DD Institutional Habilitation Facility, Capacity: 8

**Greendale Home 1 - Memphis at 1445 Greendale Avenue, Memphis, TN 38127**

Attached: L000000016969 - ID & DD Institutional Habilitation Facility, Capacity: 8

**Greendale Home 2 - Memphis at 1457 Greendale Avenue, Memphis, TN 38127**

Attached: L000000016970 - ID & DD Institutional Habilitation Facility, Capacity: 8

**Raleigh Millington Home 1 - Memphis at 4240 Raleigh Millington Road, Memphis, TN 38128**

Attached: L000000016971 - ID & DD Institutional Habilitation Facility, Capacity: 8

**Raleigh Millington Home 2 - Memphis at 4254 Raleigh Millington Road, Memphis, TN 38128**

Attached: L000000016972 - ID & DD Institutional Habilitation Facility, Capacity: 8

A program evaluation of each facility/service will be conducted prior to the license expiration date.

Your cooperation with the licensure program is appreciated. Please call on us if we may be of assistance to you.

Ms. Vicki Cox

October 25, 2017

Page 2

Sincerely,

A handwritten signature in cursive script, reading "Lee Vestal". The signature is written in dark ink and is positioned above the printed name and title.

Lee Vestal

Director of Risk Management and Licensure

Department of Intellectual and Developmental Disabilities

**Affidavit**

## AFFIDAVIT

2017-11-03 10:00 AM

STATE OF TENNESSEE

COUNTY OF

Williamson

George Stevens, being first duly sworn, says that he is an authorized representative of the applicant named in this application, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

[Signature], CEO  
SIGNATURE/TITLE

Sworn to and subscribed before me this 13th day of November, 2017 a Notary Public in and for the County/  
State of Williamson - Tennessee.

[Signature]  
NOTARY PUBLIC

My commission expires

027  
(Month)2019  
(Year)

# Supplemental #1 (Copy)

Open Arms Care Corp SW  
Dexter Rd

CN1711-034



**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax:615/532-9940

November 22, 2017

Michael Brent  
Attorney  
Bradley Arant Boult Cummings LLP  
1600 Division Street, Suite 700  
Nashville, TN 37203

RE: Certificate of Need Application CN1711-034  
Open Arms Care Corporation SW (Dexter Rd)

Dear Mr. Brent:

This will acknowledge our November 15, 2017 receipt of your application for a Certificate of Need for the relocation of an 8 licensed bed ICF/IID home from 5350 Benjestown Road, Memphis (Shelby County), TN to an unaddressed site located on an 8.2 acre parcel located on the southwest corner of the intersection of Dexter Road and Dexter Lane, Cordova, (Shelby County), TN 38002. The proposed site is the south half of the parcel described as Parcel 096507 00307C in the records of the Shelby County Tax Assessor.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

**Please submit responses in triplicate by 12:00 noon, Tuesday November 28, 2017.** If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

**1. Section A, Executive Summary, (B) Rationale for Approval (2) Economic Feasibility, Page 5**

The applicant refers to Attachment C. Economic Feasibility-2 as documentation of a commercial loan to finance the land purchase and facility construction. However, the attachment should be listed as "Attachment B-Economic Feasibility B". Please revise and submit a replacement page 5 listing the correct attachment.

**Response:** Please see R-5 in Supplemental Attachment – Replacement Pages for a corrected page 5.

**2. Section A, Project Details, Item 5 Management Agreement, Page 7**



Please provide a brief overview of Integra Resources, Inc. and their experience in managing an ICF/IID home.

**Response:** Integra Resources, LLC ("Integra") manages all of Open Arms' ICF/IID facilities, which were listed in Attachment A – 4 of the application, and is equally owned by SMI Group, LLC and Flatrock Investors, LLC. In turn, SMI Group, LLC is equally owned by George Stevens and Jeff Mastroleo, while Flatrock Investors, LLC is equally owned by Joseph Torrence and Richard Brown. The only relationship between Open Arms and Integra is the parties' existing contractual relationship for management of Open Arms' facilities. Further, Jeff Mastroleo, Joseph Torrence, Richard Brown, and George Stevens do not have ownership interests in, or governance positions with respect to, Open Arms.

George Stevens, Jeff Mastroleo, Joseph Torrence, and Richard Brown have directly applicable experience in areas including healthcare operations, affordable housing operations, financing and management, government service in the areas of mental health and affordable housing, and executive-level management of healthcare providers. More information about Integra's principles is attached as Supplemental Attachment – Integra Principals.

**3. Section A, Project Details, Item 6.B (1) Plot Plan, Page 8**

The plot plan is noted. However, please submit a replacement plot plan that includes the labeling of the location of the proposed duplex and what will be located in the adjoining lot.

**Response:** Please see Supplemental Attachment – Replacement Plot Plan for a plot plan with the requested changes. Please note that the Applicant has no current plans for the north half of the parcel, although it is anticipated that this portion of the 8.2 acre parcel may be sold or developed for other uses in the future.

**4. Section A, Project Details, Item 6.B (2) Floor Plan, Page 9**

The floor plan is noted. However, please provide a floor plan that displays the entire 8 bed duplex.

**Response:** The floor plan attached as Attachment A-6B-2 is correct, as the duplex style home is anticipated to be a mirror image of the provided floor plan, with each half of the duplex style structure being self-sufficient (as to kitchen facilities, etc.). The garage of each half will be side by side and the walk/grill areas in the rear will be connected.

**5. Section B, Need Item C, Page 22**

Please submit a county level map that designates Shelby County as the service area and submit a replacement page 22.

**Response:** Please see R-22 in Supplemental Attachment – Replacement Pages for a county level map showing Shelby County as the service area.

**6. Section B. Need Item F. , Page 24**

It is noted the applicant projects 100% occupancy of all eight beds in Year One and Year Two. However, the occupancy calculates at 99.7% in Year One and 99.2% in Year Two. Please revise and submit a replacement page 24.

**Response:** Please see R-24 in Supplemental Attachment – Replacement Pages for a revised response regarding anticipated occupancy.

**7. Section B, Economic Feasibility, Item C. Historical Data Chart, Page 28**

The applicant refers to the Projected Data Chart in accounting for resident's dietary meals as "supplies" expenses in the "other Expenses" line in item at D.9 in the chart and as "programming Expenses". However, there is not a line "D.9" and no line labeled "Programming Expenses". Please clarify and submit a replacement page 28 if necessary.

**Response:** The reference to the Projected Data Chart was incorrect. Please see R-28 in Supplemental Attachment – Replacement Pages for a revised response indicating that resident dietary meals are accounted for in item D.6 and in the "Miscellaneous" category if one refers to the itemization of that line item following the Projected Data Chart.

Please indicate the type of utilization (cases, patients, days, etc.) data in Line A. in the Historical Data Chart and submit a replacement Attachment page 16.

**Response:** Please see Supplemental Attachment – Replacement Projected Data and Historical Data Charts for a Historical Data Chart indicating that the utilization type is resident bed days. Please also note that the page number was included in error and has been removed.

**8. Section B, Economic Feasibility, Item D. (Projected Data Chart), Page 19**

Rent in the amount of \$244,444 in Year One is noted in the Projected Data Chart. However, the Option to Lease Agreement between FDG, LLC and Open Arms Care Corporation notes the annual rent will not exceed \$168,333 per year. Please clarify.

**Response:** Rent of \$244,444 in Year One is correct as noted in the Projected Data Chart and the language in the Option to Lease Agreement (the "Option") that average rent shall not exceed \$168,333 per year is also correct. This language in the Option refers to the average annual rent over the course of the lease's 30 year term as opposed to a guarantee with respect to any specific year's annual rent amount. The annual rent will be on a declining balance rather than an equal amortization over the 30 year term in order to correspond with FDG's anticipated financing, which will also be a declining balance as opposed to equal amortization.

Please indicate the type of utilization (cases, patients, days, etc.) data in Line A. in the Projected Data Chart and submit a replacement Attachment page 19.

**Response:** Please see Supplemental Attachment – Replacement Projected Data and Historical Data Charts for a Projected Data Chart indicating that the utilization type is

resident bed days. Please also note that the page number was included in error and has been removed.

The management fee of \$74,760 is noted in Year One and Year Two in the Projected Data Chart. However, the management fee in the management agreement reflects \$60,360.00 on page 10. Please clarify.

**Response:** Please see Supplemental Attachment – Replacement Management Agreement for a Management Agreement reflecting \$74,760 as the management fee.

**9. Section B, Economic Feasibility, Item E (1) Average Gross Charge, Average Deduction from Operating Revenue, and Average Net Charge, Page 29**

The chart on the top of page 29 is noted. However, it appears the chart is incorrect. Please use the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Historical Data Chart for the previous year and current year. Please revise and submit a revised page 29 (R-29).

**Response:** Please see R-29 in Supplemental Attachment – Replacement Pages for a revised chart. Please note that, as requested above, the Historical Data Chart was used for the previous year and current year columns, specifically, the revenue and deductions corresponding to the year 2015 and 2016, respectively.

**10. Section B, Economic Feasibility, Item H, Page 31**

The total employees (A + B) of 26.41 appear to be incorrect. Please revise and submit a replacement page 31 (31R).

**Response:** Please see R-31 in Supplemental Attachment – Replacement Pages for a revised chart reflecting a projected 24.41 total employees and 24.8 total staff.

**11. Proof of Publication**

Please submit proof of publication with the application by attaching either the full page of the newspaper in which the notice appeared, with the *mast and dateline intact*, or a publication affidavit from the newspaper that includes a copy of the publication.

**Response:** Please see the proof of publication in Supplemental Attachment – Proof of Publication.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application, the sixtieth (60<sup>th</sup>) day after written Notification is Friday, January 20, 2018. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee."

Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip M. Earhart  
Health Services Development Examiner

PME  
Enclosure

NOV 22 11 22 AM

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Michael D. Brent, being first duly sworn, says that I am the attorney for the manager of applicant named in this Certificate of Need application, or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

By: \_\_\_\_\_

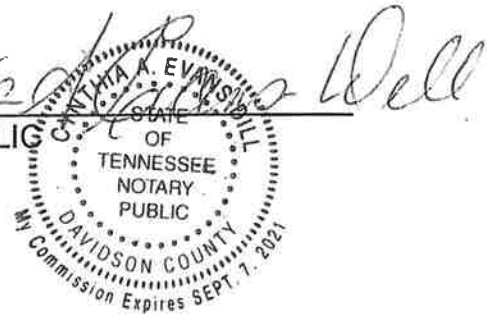
Michael D. Brent

Sworn to and subscribed before me, a Notary Public, this the 22nd day of November, 2017, witness my hand at office in the County of Davidson, State of Tennessee.

My commission expires

Sept 7, 2021

NOTARY PUBLIC









**State of Tennessee**  
**Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

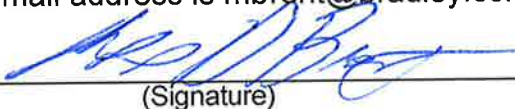
NOV 9 17 48:20

## LETTER OF INTENT

The Publication of Intent is to be published in The Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before November 10, 2017, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the replacement and relocation of an eight-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), managed by Integra Resources, LLC, a Tennessee limited liability company. The facility is currently located at 5350 Benjestown Road, Memphis (Shelby County), Tennessee 38127, and will be relocated to a lot of approximately 4.1 acres, which does not currently have a separate street address, such lot being the south half of the approximately 8.2 acre parcel located on the southwest corner of the intersection of Dexter Road and Dexter Lane, in Shelby County, Tennessee, and also described as Parcel 096507 00307C in the records of the Shelby County Tax Assessor. Access to the south half described above is anticipated to be from Old Dexter Road. The estimated project cost is \$5,130,000.00.

The anticipated filing date of the application is on or before November 15, 2017. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is [mbrent@bradley.com](mailto:mbrent@bradley.com).

  
(Signature)

Nov. 9, 2017  
(Date)

[mbrent@bradley.com](mailto:mbrent@bradley.com)  
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**RULES  
OF  
HEALTH SERVICES AND DEVELOPMENT AGENCY**

**CHAPTER 0720-11  
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA**

**TABLE OF CONTENTS**

0720-11-.01 General Criteria for Certificate of Need

**0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED.** The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

- (1) Need. The health care needed in the area to be served may be evaluated upon the following factors:
  - (a) The relationship of the proposal to any existing applicable plans;
  - (b) The population served by the proposal;
  - (c) The existing or certified services or institutions in the area;
  - (d) The reasonableness of the service area;
  - (e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;
  - (f) Comparison of utilization/occupancy trends and services offered by other area providers;
  - (g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.
- (2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
  - (a) Whether adequate funds are available to the applicant to complete the project;
  - (b) The reasonableness of the proposed project costs;
  - (c) Anticipated revenue from the proposed project and the impact on existing patient charges;
  - (d) Participation in state/federal revenue programs;
  - (e) Alternatives considered; and
  - (f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.



(Rule 0720-11-.01, continued)

- (3) Quality. Whether the proposal will provide health care that meets appropriate quality standards may be evaluated upon the following factors:
  - (a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;
  - (b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;
  - (c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;
  - (d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;
  - (e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;
  - (f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;
  - (g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.
    1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:
      - (i) Those having the same accrediting standards as the licensed hospital of which it will be a department, for a Freestanding Emergency Department;
      - (ii) Accreditation Association for Ambulatory Health Care, and where applicable, American Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects;
      - (iii) Commission on Accreditation of Rehabilitation Facilities (CARF), for Comprehensive Inpatient Rehabilitation Services and Inpatient Psychiatric projects;
      - (iv) American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority, for Megavoltage Radiation Therapy projects;
      - (v) American College of Radiology, for Positron Emission Tomography, Magnetic Resonance Imaging and Outpatient Diagnostic Center projects;

(Rule 0720-11-.01, continued)

- (vi) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, or another accrediting body with deeming authority for hospice services from CMS or state licensing survey, and/or other third party quality oversight organization, for Hospice projects;
  - (vii) Behavioral Health Care accreditation by the Joint Commission for Nonresidential Substitution Based Treatment Center, for Opiate Addiction projects;
  - (viii) American Society of Transplantation or Scientific Registry of Transplant Recipients, for Organ Transplant projects;
  - (ix) Joint Commission or another appropriate accrediting authority recognized by CMS, or other nationally recognized accrediting organization, for a Cardiac Catheterization project that is not required by law to be licensed by the Department of Health;
  - (x) Participation in the National Cardiovascular Data Registry, for any Cardiac Catheterization project;
  - (xi) Participation in the National Burn Repository, for Burn Unit projects;
  - (xii) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, and/or other accrediting body with deeming authority for home health services from CMS and participation in the Medicare Quality Initiatives, Outcome and Assessment Information Set, and Home Health Compare, or other nationally recognized accrediting organization, for Home Health projects; and
  - (xiii) Participation in the National Palliative Care Registry, for Hospice projects.
- (h) For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.
- (i) For Cardiac Catheterization projects:
  - 1. Whether the applicant has documented a plan to monitor the quality of its cardiac catheterization program, including but not limited to, program outcomes and efficiencies;
  - 2. Whether the applicant has agreed to cooperate with quality enhancement efforts sponsored or endorsed by the State of Tennessee, which may be developed per Policy Recommendation; and
  - 3. Whether the applicant will staff and maintain at least one cardiologist who has performed 75 cases annually averaged over the previous 5 years (for an adult program), and 50 cases annually averaged over the previous 5 years (for a pediatric program).
- (j) For Open Heart projects:

(Rule 0720-11-.01, continued)

1. Whether the applicant will staff with the number of cardiac surgeons who will perform the volume of cases consistent with the State Health Plan (annual average of the previous 2 years), and whether the applicant will maintain this volume in the future;
  2. Whether the applicant will staff and maintain at least one surgeon with 5 years of experience;
  3. Whether the applicant will participate in a data reporting, quality improvement, outcome monitoring, and peer review system that benchmarks outcomes based on national norms, with such a system providing for peer review among professionals practicing in facilities and programs other than the applicant hospital (demonstrated active participation in the STS National Database is expected and shall be considered evidence of meeting this standard);
- (k) For Comprehensive Inpatient Rehabilitation Services projects, whether the applicant will have a board-certified physiatrist on staff (preferred);
- (l) For Home Health projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;
- (m) For Hospice projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;
- (n) For Megavoltage Radiation Therapy projects, whether the applicant has demonstrated that it will meet the staffing and quality assurance requirements of the American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority;
- (o) For Neonatal Intensive Care Unit projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; whether the applicant has documented the intention and ability to comply with the staffing guidelines and qualifications set forth by the Tennessee Perinatal Care System Guidelines for Regionalization, Hospital Care Levels, Staffing and Facilities; and whether the applicant will participate in the Tennessee Initiative for Perinatal Quality Care (TIPQC);
- (p) For Nursing Home projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives;
- (q) For Inpatient Psychiatric projects:
1. Whether the applicant has demonstrated appropriate accommodations for patients (e.g., for seclusion/restraint of patients who present management problems and children who need quiet space; proper sleeping and bathing arrangements for all patients), adequate staffing (i.e., that each unit will be staffed with at least two direct patient care staff, one of which shall be a nurse, at all

(Rule 0720-11-.01, continued)

- times), and how the proposed staffing plan will lead to quality care of the patient population served by the project;
  2. Whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; and
  3. Whether an applicant that owns or administers other psychiatric facilities has provided information on satisfactory surveys and quality improvement programs at those facilities.
- (r) For Freestanding Emergency Department projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan;
  - (s) For Organ Transplant projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan; and
  - (t) For Relocation and/or Replacement of Health Care Institution projects:
    1. For hospital projects, Acute Care Bed Need Services measures are applicable; and
    2. For all other healthcare institutions, applicable facility and/or service specific measures are applicable.
  - (u) For every CON issued on or after the effective date of this rule, reporting shall be made to the Health Services and Development Agency each year on the anniversary date of implementation of the CON, on forms prescribed by the Agency. Such reporting shall include an assessment of each applicable volume and quality standard and shall include results of any surveys or disciplinary actions by state licensing agencies, payors, CMS, and any self-assessment and external peer assessment processes in which the applicant participates or participated within the year, which are relevant to the health care institution or service authorized by the certificate of need. The existence and results of any remedial action, including any plan of correction, shall also be provided.
  - (v) HSDA will notify the applicant and any applicable licensing agency if any volume or quality measure has not been met.
  - (w) Within one month of notification the applicant must submit a corrective action plan and must report on the progress of the plan within one year of that submission.
- (4) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:
    - (a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);
    - (b) The positive or negative effects attributed to duplication or competition; and



(Rule 0720-11-.01, continued)

- (c) The availability and accessibility of human resources required by the proposal, including consumers and related providers.
- (5) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:
  - (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.
  - (b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
  - (c) Quality of Health Care to be provided. The applicant should show the quality of health care to be provided will be served at least as well as the original site.
  - (d) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.
- (6) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

**Authority:** T.C.A. §§ 4-5-202, 4-5-208, 68-11-1605, 68-11-1609, and 2016 Tenn. Pub. Acts Ch. 1043.

**Administrative History:** Original rule filed August 31, 2005; effective November 14, 2005. Emergency rule filed May 31, 2017; effective through November 27, 2017.



MEMORANUM

TO: Melanie Hill, Executive Director, Health Services and Development Agency

FROM: Theresa Sloan, Assistant Commissioner and General Counsel;  
Tennessee Department of Intellectual and Developmental Disabilities

A handwritten signature in black ink, appearing to read 'Theresa Sloan'.

DATE: January 17, 2018

RE: Review and Analysis of Certificate of Need Application, Open Arms Care Corporation CN1711-034

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Pursuant to, and in accordance with, Tennessee Code Annotated (TCA) § 68-11-1608 and Rules of the Health Services and Development Agency including the Criteria and Standards for Certificate of Need (2000 Edition, Tennessee's Health Guidelines for Growth, prepared by the Health Planning Commission) [hereinafter Guidelines for Growth], staff of the Tennessee Department of Intellectual and Developmental Disabilities (DIDD), the licensing agency, have reviewed and analyzed the above referenced application for a Certificate of Need.

Attached is the DIDD report. At a minimum, and as noted in TCA § 68-11-1608, the report provides:

- (1) Verification of application-submitted information;
- (2) Documentation or source for data;
- (3) A review of the applicant's participation or non-participation in Tennessee's Medicaid program, TennCare or its successor;
- (4) Analyses of the impact of a proposed project on the utilization of existing providers and the financial consequences to existing providers from any loss of utilization that would result from the proposed project;
- (5) Specific determinations as to whether a proposed project is consistent with the state health plan;
- (6) Further studies and inquiries necessary to evaluate the application pursuant to the rules of the Agency.

If there are any questions, please contact me at (615) 253-6811.

cc:

Debra K. Payne, Commissioner, DIDD Jordan

Allen, Deputy Commissioner, DIDD

C.J. McMorran, WTR Director, DIDD

Lee Vestal, Director of Risk Management and Licensure, DIDD

CON Application #CN 1711-034

**REVIEW AND ANALYSIS  
CERTIFICATE OF NEED APPLICATION**



# CN1711-034

### **Opening Remarks on the Project**

Pursuant to, and in accordance with, Tennessee Code Annotated (TCA) § 68-11-1608 and Rules of the Health Services and Development Agency including the Criteria and Standards for Certificate of Need (2000 Edition, Tennessee's Health Guidelines for Growth, prepared by the Health Planning Commission) [hereinafter Guidelines for Growth], staff of the Tennessee Department of Intellectual and Developmental Disabilities (DIDD), the licensing agency, have reviewed and analyzed the application for a Certificate of Need submitted by Michael D. Brent (Attorney for Open Arms Care Corporation) on behalf of Open Arms Care Corporation to relocate an eight bed Intermediate Care Facility for individuals with Intellectual Disabilities (ICF/IID) from 5350 Benjestown Road, Memphis Tennessee 38127 to a lot of approximately 4.1 acres, which does not currently have a separate street address, located at the intersection of Dexter Road and Dexter Lane, in Cordova, Tennessee 38016. The report has (3) parts:

#### **A. Summary of Project**

#### **B. Analysis – in four (4) parts:**

<b><u>Need</u></b>	<b><u>Economic Feasibility</u></b>	<b><u>Contribution to the Orderly Development of Health Care</u></b>	<b><u>Health Care that Meets Appropriate Quality Standards</u></b>
<p>Evaluated by the following general factors:</p> <ul style="list-style-type: none"> <li>A. Relationships to any existing applicable plans;</li> <li>B. Population to be served;</li> <li>C. Existing or Certified Services or institutions;</li> <li>D. Reasonableness of the service area;</li> <li>E. Special needs of the service area population (particularly women, racial and ethnic minorities, and low-income groups);</li> <li>F. Comparison of utilization/ occupancy trends and services offered by other area providers;</li> <li>G. Extent to which Medicare, Medicaid, and medically indigent patients will be served; and</li> <li>H. Additional factors specified in the Tennessee's Health Guidelines for Growth publication for this type of facility.</li> </ul>	<p>Evaluated by the following general factors:</p> <ul style="list-style-type: none"> <li>A. Whether adequate funds are available to complete the project;</li> <li>B. Reasonableness of costs;</li> <li>C. Anticipated revenue and the impact on existing patient charges;</li> <li>D. Participation in state/federal revenue programs;</li> <li>E. Alternatives considered;</li> <li>F. Availability of less costly or more effective alternative methods; and</li> <li>G. Additional factors specified in the Tennessee's Health Guidelines for Growth publication.</li> </ul>	<p>Evaluated by the following general factors:</p> <ul style="list-style-type: none"> <li>A. Relationship to the existing health care system (i.e. transfer agreements, contractual agreements for health services, and affiliation of the project with health professional schools);</li> <li>B. Positive or negative effects attributed to duplication or competition;</li> <li>C. Availability and accessibility of human resources required;</li> <li>D. Quality of the project in relation to applicable governmental or professional standards; and</li> <li>E. Additional factors specified in the Tennessee's Health Guidelines for Growth publications.</li> </ul>	<p>Evaluated by the following general factors:</p>

#### **C. Conclusions**



## **A: Summary of Project**

### Submission of Application

Michael D. Brent (Attorney for Open Arms Care Corporation) on behalf of Open Arms Care Corporation to relocate an eight bed Intermediate Care Facility for individuals with Intellectual Disabilities (ICF/IID) from 5350 Benjestown Road, Memphis Tennessee 38127 to a lot of approximately 4.1 acres, which does not currently have a separate street address, located at the intersection of Dexter Road and Dexter Lane in Cordova, Tennessee 38016. This relocation is necessary to provide a new structure, the current home is more than 30 years old, and the new home that will be constructed as a duplex with four individuals residing on each side, will also provide more space for the persons and their specialized equipment than what is currently available at the Benjestown Road home.

The Applicant Profile indicates that the type of institution is "Intellectual Disability Institutional Habilitation Facility (ICF/IDD)" (Item 7.G.) and the purpose of review is "Change of Location" (Item 8.H.)

### Applicant Profile, Ownership, Management, and Licensure

As previously noted, the Applicant Profile indicates that the type of institution is "Intellectual Disability Institutional Habilitation Facility (ICF/IID)" (Item 7.G.) and the purpose of review is Change of Location (item 8.H). The Applicant Profile also shows that the Owner of the Facility, Agency or Institution is Open Arms Care Corporation. Open Arms Care Corporation will operate the facility in all aspects. The Applicant Profile shows the bed complement as noted previously: eight ICF/IID beds all of which are the number of proposed beds and beds at completion since this project is for the relocation of a current eight bed Residential Habilitation Facility.

In Section B Project Description the Applicant explains and details the project as being a relocation of an eight bed Residential Habilitation Home with the existing management staff managing the new home. Open Arms Care Corporation has financial resources to open this home as shown in the Open Arms Care Corporation Financial Statements with Supplemental Financial Information.

Since the Applicant is applying for a relocation of a current Residential Habilitation Facility, there is a current Intellectual Disability Residential Habilitation license issued by DIDD. If the project is approved, the current license would be surrendered to DIDD and a new license for an "Intellectual Disability Institutional Habilitation Facility (ICF/IID)" would be issued by DIDD.

### Scope of Proposed Project

As noted, the Applicant seeks to relocate a current eight bed ICF/IID Residential Habilitation Home. The new facility will serve individuals with severe Intellectual Disabilities who require institutional level of care. These individuals have multiple special needs including health care, assistance with hygiene, dietary services, physical therapy, and activities of daily living. Open Arms Care is a private, not-for-profit Corporation which currently operates ICF/IID services licensed by and under contract with DIDD.

### Operations

The proposed service area identified by the applicant is Shelby County in West Tennessee.



The need for the relocation of the eight bed ICF/IID home comes as a result of the need to relocate eight individuals who are currently living in a thirty year old institutional habilitation facility. The eight individuals who live at the Benjestown Road home have increased in acuity level as they age; as a result, more space is needed for the residents and their specialized equipment than what the current home can provide. Also, the neighborhood where the current home is located has changed over the past thirty years to a more commercial based area, and is no longer appropriate for this type of residential home. Therefore, it has been determined the best way to allow these individuals to continue to live together with the space that they need in an appropriate neighborhood is to construct a new eight bed residential habilitation facility and move the individuals into this new location. As described above this new facility will be built in a duplex model, each side being self-sufficient, with four individuals residing on each side.

Project costs are estimated at \$1,580,000 for construction of a new facility as described above. No major medical equipment is contained within this project. The projected date of completion of the project and the initiation of services is April 2019.

## **B: Analysis**

The Guidelines for Growth include a population-based estimate of the total need for ICF/IID facilities of 0.032 percent of the general population. This estimate is based on the estimate for all Intellectual Disabilities of 1 percent of the general population. Of the 1 percent estimate, 3.2 percent are estimated to meet level 1 criteria and be appropriate for ICF/IID services. The applicant identified the proposed service area for this project as Shelby County as stated above, since that is where this relocated eight bed ICF/IID facility will be located. According to population estimates from the Tennessee Department of Health, the 2017 population estimate for the service area is 964,804. This project involves the relocation of eight ICF/IID beds from one location in Shelby County to another location within the same county, therefore, this request does not result in an increase or decrease in the number of beds in the service area. Thus the number of ICF/IID beds for the service area remain the same making the Guidelines for Growth non applicable in this situation.

### Economic Feasibility

The anticipated construction cost for this project is \$1,580,000 for relocation of the current facility as described above. Based on information submitted by the applicant a commercial loan will be used to fund the construction of this project. This project will be financed through a commercial loan that will be repaid using the applicant's lease payments. The project involves the relocation of a residential habilitation home located 5350 Benjestown Road, Memphis Tennessee 38127 to a lot of approximately 4.1 acres, which does not currently have a separate street address, located at the intersection of Dexter Road and Dexter Lane, Cordova TN. The newly constructed home will be constructed as a duplex each side consisting of a one-story, fully accessible family home of approximately 2,800 square feet, each with four bedrooms, combination living/dining room, kitchen, laundry, office, and associated storage areas. Each half will have two large, fully accessible bathrooms, one half bath and a residential sprinkler system. Open Arms Care Corporation projects an occupancy rate of 100% for this project for both year 1 and year 2, since the beds are currently filled and this is simply a relocation of those beds. Occupancy rates for all other ICF/IID homes in Shelby County have been between 99% and 100% the past three years. Based on this information, the projected occupancy rate appears to be reasonable. Net operating revenue is anticipated of \$1,788,661 the first year of operation and \$1,774,764 the second year of operation. Applicant anticipates that 96% of the facilities revenue will be from Medicaid with the other 4% coming from the individuals SSI income. The average gross charge is expected to be \$614.66 per day the first year of operation and \$612.41 per day the second year. The per diem rates for ICF/IID facilities are set by the State of Tennessee Comptroller's Office, based on the "Intermediate Care Facility Statement of



Reimbursable Cost" form submitted annually by ICF/IID providers.

#### Contribution to the Orderly Development of Healthcare

Open Arms Care Corporation, plans to fill the eight ICF/IID beds associated with this project by relocating eight residents from a current eight person ICF/IID operated by Open Arms Care Corporation. Since this is a relocation of eight current ICF/IID beds in Shelby County, this proposal should have zero impact on other providers. Open Arms Care Corporation will provide complete support services for residents of this facility based on their individual care plans. Open Arms Care Corporation has working relationships with all area hospitals.

The proposed staffing pattern reported by the applicant provides for: 20.05 FTE hours for Direct Support Professionals and 2.23 FTE for nursing staff. This appears to be a sufficient number of nurses and direct support professionals to staff the eight bed home.

This Open Arms Care, ICF/IID facility would be licensed by the Tennessee Department of Intellectual and Developmental Disabilities as an Intellectual Disability Institutional Habilitation Facility (ICF/IID). The applicant already operates Intellectual Disability Institutional Habilitation Facilities (ICF/IIDs) and, therefore, is familiar with the licensing requirements for this type of facility.

#### Health Care that Meets Appropriate Quality Standards

Open Arms Care Corporation is a long-standing provider in Tennessee of ICF/IID services. During the years of operation of Open Arms Care Corporation, in Tennessee, it has continued to meet the Quality Standards of ICF/IID services as evidenced by their ICF survey. The ICF survey reflects that Open Arms Care Corporation is operating to the standards established by the Centers for Medicare and Medicaid Services. Open Arms Care Corporation is also in good standing with DIDD's licensure. Open Arms Care Corporation through their contract for ICF/IID services with TennCare, must also adhere to DIDD's Protection from Harm system in reporting all allegations of abuse, neglect, and exploitation to DIDD and is meeting these standards and requirements.

#### **C: CONCLUSIONS:**

As noted above, the Department of Intellectual and Developmental Disabilities (DIDD) is the agency responsible for licensing Intellectual Disabilities Institutional Habilitation Facilities, which provide ICF/IID service and is also the department that is responsible for the provision of services for individuals with intellectual disabilities. Therefore, DIDD as the experts in the field of intellectual and developmental disabilities has reached the following conclusion regarding this Open Arms Care Corporation Certificate of Need application for relocation of an eight bed ICF/IID facility in Shelby County to serve eight individuals being relocated from another Open Arms Care Corporation ICF/IID facility in Shelby County.

The Need for the approval of an eight bed ICF/IID operated by Open Arms Care Corporation is supported by the Guidelines for Growth population-based formula. The cost of the project appears to be reasonable, and provide more space and the potential for greater community integration for the eight persons relocating to this home. The project can be completed in a timely manner. Adequate funding is available and projected utilization and revenue should be sufficient to ensure the economic feasibility of the project.

This project would contribute to the orderly development of healthcare by allowing the eight

individuals to relocate to a home with more space and potential for greater community integration. Open Arms Care Corporation also meets the fourth criteria for approval of their CON application, Health Care that Meets Appropriate Quality Standards. Open Arms Care Corporation has demonstrated during their time as a provider of ICF/IID services that the services provided have meet all applicable quality standards of both state and federal regulations.

In conclusion, the Department of Intellectual and Developmental Disabilities supports approval of Open Arms Care Corporation Certificate of Need application for the relocation of an eight bed ICF/IID in Shelby County Tennessee.